Lowland Investment Company plc

Annual Report 2021

MANAGED BY
Janus Henderson
INVESTORS

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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, and 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]

2021
51.0%

2020
-24.8%

Benchmark Total Return[2]

2021
27.9%

2020
-16.6%

Growth in Dividend

2021
0.4%

2020
0.8%

Dividend for the Year[3]

2021
60.25p

2020
60.0p

	Year ended 30 September 2021	Year ended 30 September 2020
NAV per share at year end (debt at par)[4]	**1,459p**	1,031p
NAV per share at year end (debt at fair value)[4]	**1,446p**	1,006p
Share price at year end[5]	**1,315p**	914p
Market Capitalisation	**£355m**	£247m
Dividend per share	**60.25p[3]**	60.0p
Ongoing Charge including the Performance Fee[6]	**n/a**	0.7%
Ongoing Charge excluding the Performance Fee	**0.6%**	0.7%
Dividend Yield[7]	**4.6%**	6.6%
Gearing at year end	**13.8%**	15.0%
Discount at year end[8]	**9.1%**	9.2%
AIC UK Equity Income Sector – Average Discount	**3.9%**	5.7%

1. Net asset value per share total return (including dividends reinvested) with debt at fair value
2. FTSE All-Share Index (including dividends reinvested)
3. Includes the final dividend of 15.25p per ordinary share for the year ended 30 September 2021 that will be put to shareholders for approval at the Annual General Meeting on Wednesday 26 January 2022
4. NAV per share for both figures is before deduction of the third interim dividend paid in October of each year
5. Mid-market closing price
6. The performance fee was removed from the management agreement with effect from 1 October 2020
7. Based on dividends paid and payable in respect of the financial year and the share price at year end
8. Calculated using year end fair value NAVs including current year revenue

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

A glossary of terms including Alternative Performance Measures is included on pages 78 to 80

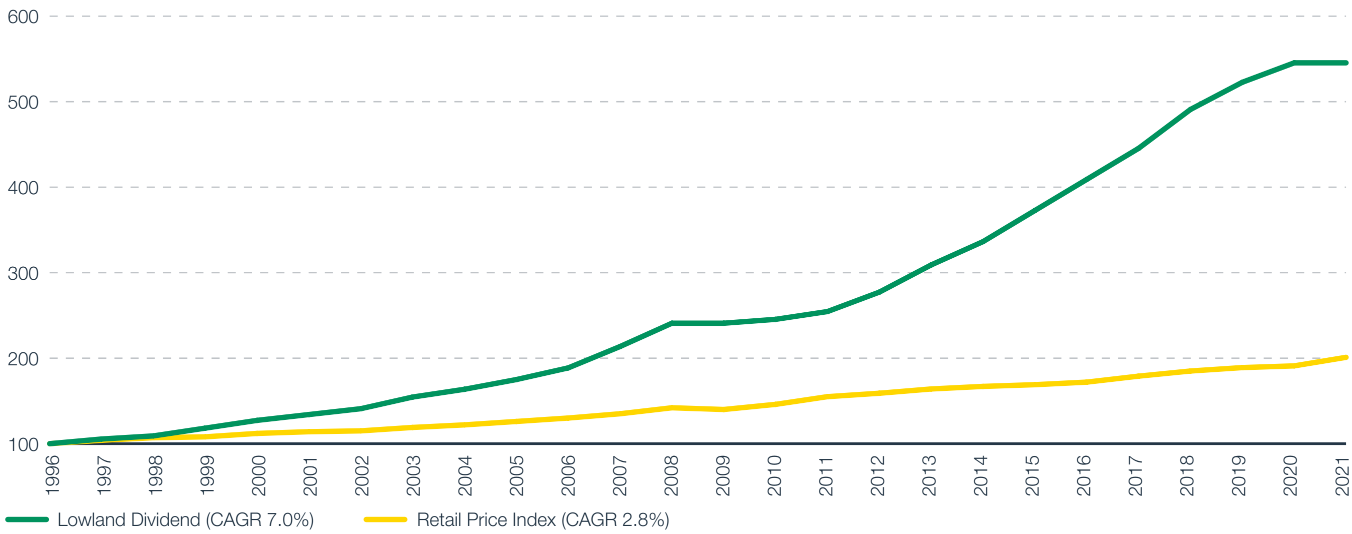
Strategic Report: Historical Performance

Performance

	1 year	3 years	5 years	10 years	25 years
Net asset value	51.0	2.6	23.6	154.5	883.4
Share price	53.3	1.8	23.4	153.2	912.0
FTSE All-Share	27.9	9.5	29.8	119.2	379.0

Source: Morningstar for the AIC

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 1996 = 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
2011	28.00	68.3	28.8	214,251	811.0	762.5
2012	30.50	229.9	31.1	266,401	1,008.4	991.5
2013	34.00	330.1	36.7	347,202	1,306.9	1,325.0
2014	37.00	73.3	39.4	361,856	1,345.6	1,355.0
2015	41.00	11.8	46.4	354,563	1,318.4	1,287.0
2016	45.00	156.4	47.7	386,910	1,432.0	1,336.5
2017	49.00	243.2	49.1	439,896	1,628.1	1,504.0
2018	54.00	47.4	58.6	438,934	1,624.6	1,515.0
2019	59.50	(138.7)	68.0	385,904	1,428.3	1,280.0
2020	60.00	(336.9)	33.8	278,653	1,031.3	914.0
2021	**60.25**[1]	**487.9**	**42.7**	**394,285**	**1,459.3**	**1,315.0**

1. Includes the final dividend of 15.25p per ordinary share for the year ended 30 September 2021 that will be put to shareholders for approval at the Annual General Meeting on Wednesday 26 January 2022

Robert Robertson
Chairman

Chairman's Statement

Strategic Report: Chairman's Statement

Performance

I am delighted to report that Lowland's performance in the year was very satisfactory, both in absolute terms and compared to the FTSE All-Share index, which is our benchmark. Net Asset Value rose by 51.0% against a rise of 27.9% in the index. The share price outstripped both these increases, rising 53.3%, all on a total return basis.

The previous year had started well but our portfolio was particularly exposed to the effects of COVID, a number of holdings in the industrials and financials sectors being severely punished. The rapid economic recovery which stemmed from the successful vaccination programme resulted in exposure to precisely these cyclical sectors being rewarded. Taking the two years together our NAV increased by 13.5%, almost exactly double the 6.7% increase in the index again, both on a total return basis. To borrow a sporting expression, I think we would have 'taken' such an outcome, had it been offered early in the pandemic. It vindicates the Fund Managers' calm response to the crisis, and belief that there remained value within the market.

Two themes are worthy of comment. Firstly, one year's detractors were in many cases the following year's top contributors. Senior, heavily exposed to the aviation sector, is an example of a company widely but prematurely written off. The unexpected speed of recovery of demand has led many companies to recover sales and earnings to near pre-pandemic levels, and return to paying dividends. Secondly, the level of interest from foreign investors has given rise to some exit opportunities, but also underlines the lowly valuation of the UK market, described by one senior observer as approaching pariah status.

Dividends

Earnings per share rose by 26% to 42.7p, although still well below the 68p recorded in 2019. This recovery reflects the performance of portfolio companies, as mentioned above, and to a degree the fact that Lowland has been a net investor over the year. The Fund Managers explain in their report their expectation that, barring unforeseen shocks, investment income will continue to rise towards the levels pertaining pre-pandemic.

Since the start of the pandemic, we have cautiously maintained that we would seek to stick by our quarterly progressive dividend policy, always with a weather eye as to whether dividends would recover to their previous level in a reasonable time frame. The Board is proposing a final dividend of 15.25p, compared with 15.0p last year. If approved this will give rise to total dividends for the year of 60.25p, a very slight increase on last year's 60.0p. In proposing this course of action, the Board is convinced that it can be pursued without prejudice to the investment policy, especially avoiding chasing income at the expense of total return. We are also cognisant that Revenue Reserves amounted to £6.7m at the year-end, which is less than the amount of the third interim and final dividend, totalling £8.2m, payable after 30 September. This will result in the use of £1.5m from Capital Reserves, which amounted to £271.2m at the year-end.

We recognise that one of the many advantages an investment trust presents, compared with alternative investment vehicles, is that it can provide investors with a progressive flow of income. Our large number of retail investors value this characteristic, which is in considerable contrast with the experience of investing in the UK equity income open-ended fund sector, which on average reduced pay-outs by over 25% in 2020. We therefore will aspire to maintain our progressive quarterly dividend policy, which may require further limited drawings on our Capital Reserves.

Investment review and gearing

A further advantage of an investment trust is that it may use borrowing to finance the portfolio. During the year we increased net borrowings from £42.6m to £54.9m, although with asset values rising, gearing reduced in percentage terms, from 15% to 13.8%. Lowland has available medium-term facilities of £40m (with an option to borrow a further £20m) and £30m 3.15% Loan Notes due in 2037. This long-term debt has been more expensive than short term debt, since it was raised in 2017, but we value a balance of short- and long-term borrowings, the latter offering protection against a potential rise in rates.

Lowland has always invested in small, medium and large companies. Added to the balance which this gives the portfolio, the Fund Managers are now also classifying investments by 'bucket', each bucket being characterised by factors such as income, growth, recovery and so on. We hope that their report will help shareholders understand the underlying nature of the portfolio, and also see how it is structured with a mind to providing a combination of income and growth.

I draw your attention to the section in the Investment Managers' report which illustrates the part ESG plays in the investment process, as well as the new Environmental, Social and Governance section in the Strategic Report. At its simplest the importance of environmental, social and governance issues to risk management is blindingly obvious, even if the manner in which it is sometimes reported does not always so suggest. There is nothing fundamentally new in terms of the banana skins companies face if they don't get it right. An environmental disaster from a mining company, exploitative practices in a clothing company, or a governance lapse in any company are straightforward examples of own goals which face the unwary. Something which is relatively new, and becoming more important, is the opportunity to invest in companies which will benefit from the increased focus on environmental and societal considerations in the world at large.

Strategic Report: Chairman's Statement (continued)

Ongoing charge

The ongoing charge was 0.60% relative to the previous year's 0.66%. The main element of costs is the Management Fee which was renegotiated with effect from the beginning of the 2021 financial year. It amounts to 0.5% on Net Chargeable assets up to £325m and 0.4% thereafter. We believe this is competitive and will result in the ongoing charge ratio declining as the portfolio grows.

Share price discount

During the year the discount to cum income, fair value NAV fluctuated between 0.5% and 10.0%, ending the year at 9.1%. The policy on discount is set out on page 31.

The Board

I mentioned last year that Karl Sternberg planned to step down from the Board, which he has now done. I shall not repeat my sincere and profound thanks to Karl for his contribution.

In my Interim Statement I mentioned Helena Vinnicombe's appointment to the Board, and I am glad to report that she has now attended her first physical meeting, as well as several virtual meetings! I do hope we are able to introduce her in person at the AGM, rules permitting.

I would mention that your Board has been more than usually active during the pandemic, meeting frequently on an ad hoc basis as the crisis unfolded. The Fund Managers claim that they found the rigour of active discussion of strategy helpful at these challenging times.

The Board's robust approach to its own governance issues, such as ensuring that its own members are independent, that there is a balance of continuity and refreshment, and that Directors have adequate time to devote to the Company's affairs, are set out on pages 40 and 43.

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**

Proposed share split

We are always keen to receive feedback from our shareholders and a recurring suggestion in recent years has been undertaking a share split, given the optically high share price. We are cognisant, for example, that many of our shareholders use dividend reinvestment plans, and a lower share price would mean less surplus cash at the point of dividend reinvestment. We are therefore proposing a resolution at the AGM to approve sub-dividing each ordinary share of 25p into 10 ordinary shares of 2.5p each. The Board believe this to be in the best interests of shareholders. Further details can be found in the circular convening this year's AGM.

Annual General Meeting ('AGM')

We are pleased, subject to further guidance, to be able to return to an 'in person' AGM this year. The AGM will be held at the offices of Janus Henderson on 26 January 2022 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

The question posed at the end of last year's report, of how long inflation might lie fallow, has been answered, with the Retail Price Index (RPI) rising by 4.9% for the year ending 30 September. Questions now are how much, how long; how will authorities react and what will be the influence on our investment universe. Against this background, and the renewed uncertainties caused by the Omicron variant, the recent stall in the performance of the Company's NAV, and the market in general, is not surprising. Since the year-end there has been no material movement in the company's NAV, share price or discount, or in the benchmark.

Portfolio companies face conflicting influences. On the one hand demand for their products and services is broadly strong. On the other, there are material supply chain and cost pressures as the economy re-opens. As ever Lowland's portfolio is managed on a stock by stock basis, and for the most part companies in which we are invested are market leaders or among the market leaders, with the pricing power to pass on the effects of higher costs. These have historically been the best hedge against higher inflation environments.

We believe that there is value in much of the UK market, certainly by comparison with almost all other markets. We think there continues to be value in our portfolio, and opportunity to invest further.

Robert Robertson
Chairman
8 December 2021

Fund Managers' Report

James Henderson
Fund Manager

Laura Foll
Fund Manager

Strategic Report: Fund Managers' Report

Background

The twelve months to the end of September were a period of strong returns for Lowland's portfolio. This is a welcome return to good performance as we recognise the three year performance has been challenging. The portfolio fortunes have been closely linked to the performance of the UK economy. This is because the portfolio companies in aggregate derive more of their earnings from the UK than the average company in the FTSE All-Share index. The opening up of the economy following the peak of the pandemic and the Brexit deal brought about a return of some investor confidence. This sparked a pick-up in proposed and actual corporate takeover activity, with the portfolio benefitting from deals such as RSA being purchased by a consortium and Senior successfully rebutting a private equity bid approach. The takeovers came predominantly from overseas buyers as UK company share prices have generally lagged other major markets. The valuation of UK companies appears to be at bargain levels, particularly for US buyers. The reasons for this lie in uncertainties created by Brexit and a lack of the newer technology companies in the UK. This meant global investors have shunned UK assets. The Brexit deal and an economic recovery has partially countered these concerns.

Lowland maintains a large exposure to the UK economy because this is where very good opportunities can be found as the valuations for good quality companies are undemanding. The small and medium sized companies are overall more UK centric than the major constituents of the market, which means that the UK exposure will be higher than the index.

Performance Attribution

As is always the case with performance numbers, the starting point makes a huge difference to the end outcome. Lowland's financial year (starting on 1 October 2020) captured the full benefit of the positive COVID-19 vaccination trials, starting with Pfizer in early November. This led to a material recovery in cyclical sectors, such as industrials and financials, to which Lowland's portfolio has a significant exposure. In some cases, however, the strong recovery in share prices in 2021 needs to be seen in the context of recovering from very low levels during the pandemic. This is particularly the case for companies exposed to the most impacted areas, such as civil aerospace. For this reason, in the tables of top five and bottom five contributors and detractors from performance, we have included two year share price total return so that share prices can also be seen relative to their pre-pandemic level.

At the sector level, the largest contributor to relative performance was industrials. This was driven predominantly by stock selection rather than asset allocation. The key drivers of this positive stock selection included **Senior, Redde Northgate, Somero Enterprises, Morgan Advanced Materials, Tyman** and **Clarkson**. While they share little commonality of end markets, with the exception of Senior all saw a good recovery in sales following the pandemic.

The top five contributors to relative return (not including underweight positions) were:

Company Name	Contribution to relative return (%)	1 year share price total return (%)	2 year share price total return (%)
K3 Capital	1.5	154	146
Senior	1.4	287	(7)
Redde Northgate	1.0	126	34
Somero Enterprises	0.9	121	226
International Personal Finance	0.8	202	27

Examining each in turn:

1. K3 Capital was initially purchased at IPO in April 2017 for 95p (the share price at Lowland's financial year end was £3.53). The position has been added to several times following the IPO, including in fund raisings where we supported the company in acquiring complementary businesses. Initially a corporate broking business based in Bolton, the business has grown successfully and now spans R&D tax credits and restructuring services as well. In our view the business has considerable further scope for sales and earnings growth, led by an ambitious management team.

2. Aerospace components designer and manufacturer **Senior** has been held in the portfolio for over ten years. While it was a good performer in the years following the financial crisis, on a three year and five year basis the company is one of the largest detractors from performance. This was driven initially by the Boeing 737 Max grounding (to which Senior supplied components that were unrelated to the crashes), and subsequently by COVID-19's impact on the civil aerospace industry. In the last financial year the shares recovered well from their pandemic lows, supported by a takeover approach from private equity firm Lone Star (that was rejected by the Senior Board).

3. Redde Northgate was initially purchased for the portfolio (as Redde) in April 2017. It then merged with flexible van hire firm Northgate in early 2020, with the former Redde CEO as the group CEO. As a combined business it has over-delivered on its cost savings targets and it is making tentative but promising early progress in sales synergies. Despite its recent good performance the valuation remains low relative to the broader UK market and it pays an attractive dividend yield.

4. Somero Enterprises (which makes equipment for the construction industry) has been held in the portfolio for over ten years and has been one of the best long-term performers. While its sales can be volatile (as it requires construction companies to have the confidence to buy a relatively expensive piece of 'kit'), sales and earnings have grown well over the long term and it is a highly cash generative business.

5. International Personal Finance has been in the portfolio for over ten years and has been a detractor from performance over the long term. It provides digital and door to door lending

Strategic Report: Fund Managers' Report (continued)

in a range of emerging markets including Eastern Europe and Mexico. While it has performed poorly over its period of ownership, in our view this stems largely from unforeseen regulatory changes in some geographies rather than mismanagement. In the last financial year the shares recovered well from their lows driven by lower loan losses than initially feared (a trend seen across many lenders) and a successful refinancing of a large corporate bond that matured in Spring 2021. We continue to hold the position as we see the valuation as attractive and we see good potential for future earnings growth, driven in particular by their digital lending offering.

The largest five detractors from relative return (not including underweight positions) were:

Company Name	Contribution to relative return (%)	1 year share price total return (%)	2 year share price total return (%)
Phoenix Group	(0.8)	1	8
Severn Trent	(0.6)	11	31
4D Pharma	(0.6)	(61)	(40)
Hiscox	(0.5)	(5)	(49)
Pennon Group	(0.4)	9	42

Three of the largest five detractors from relative performance are in defensive industries (including life insurance and utilities) where consumer demand does not decrease or increase as much as the market and these underperformed in a sharply rising market. We will therefore focus on the two companies where the share prices fell during the financial year and that have been disappointing long term performers; early stage drug developer **4D Pharma** and non-life insurer **Hiscox**. In the case of 4D Pharma the position was sold in late 2020 as clinical trials were not progressing at the speed at which we initially expected when the position was established. Hiscox underperformed on ongoing concerns regarding heightened claims inflation impacting returns. The nature of these claims concerns has shifted; prior to the pandemic there were concerns regarding rising litigation costs, particularly in the US. This then moved onto business interruption and events cancellation claims during the pandemic. More recently concerns have emerged around non-life insurers more broadly in a rising inflation environment. We continue to hold a position in Hiscox as in our view the potential for future earnings growth from increasing insurance coverage of US smaller companies outweighs shorter term concerns regarding claims inflation.

Portfolio Positioning

The portfolio will always be a blend of faster growing smaller companies and more stable, cash generative larger companies. A company in a faster growth, earlier phase of its life cycle should command a higher valuation than one which is more established and growing at a slower, more consistent rate. Different portions of the portfolio need, therefore, to be viewed through different valuation lenses. For this reason we have divided the portfolio into six classifications, listed below. The aim of these classifications is not to fundamentally change the way the portfolio is managed, but rather to ensure diversity within the portfolio and clarity for shareholders:

Classification	Description	Indicative Range (%)	Exposure (%)	Example holdings
Small cap growth	These are companies that could be substantially bigger in time if their technology reaches full commercialisation. They are there for capital growth purposes and to provide diversification for the broader portfolio. With few exceptions they do not currently pay a dividend, nor are they likely to on a medium-term time horizon.	0-10	3	IP Group, Ilika, Oxford Sciences Innovation
Small and mid cap compounders	These are the core of the portfolio and are the key differentiator, along with small cap income, of Lowland versus large company focused income portfolios. These are companies with higher potential sales and earnings growth than the small cap income category, with a corresponding lower dividend yield (but with more potential for dividend growth).	25-40	33	K3 Capital, Morgan Advanced Materials, Direct Line
Small cap income	These are companies that fall outside of the remit of large cap income funds and small cap growth managers, where we can add value by paying close attention. They are well managed, cash generative businesses with modest earnings growth potential. They will often be the market leader in their specialist area. They will normally pay an attractive dividend yield with modest scope to grow.	5-15	8	Redde Northgate, Finsbury Food, Epwin

Strategic Report: Fund Managers' Report (continued)

Classification	Description	Indicative Range (%)	Exposure (%)	Example holdings
Large cap compounders	This category has higher potential sales and earnings growth than the large cap income category, with a corresponding lower dividend yield.	10-20	14	Relx, Anglo American, Prudential
Large cap income	These are large, established companies and would have the greatest crossover with other large-cap focused UK income funds. They are well managed, often market leaders with modest potential for sales and earnings growth. They pay an attractive dividend yield with modest scope to grow.	20-35	28	Royal Dutch Shell, Phoenix, Severn Trent
Recovery	These are companies where there are well known and well understood issues, but where we think the problems are more than discounted in the current share price.	5-15	13	Senior, FBD, Irish Continental

Portfolio Activity

It was an active year for the portfolio in which 14 new positions were purchased and 17 were sold. We were net investors during the year of approximately £6.9m, as we continued to find attractive valuation opportunities across the UK equity market.

Within larger companies, a sector that was added to meaningfully was banks, where we added to existing positions in **Natwest**, **Lloyds** and **HSBC** as well as a new position in **Barclays**. The additions to the banking sector, where we have been cautious in the period since the financial crisis, was driven by a combination of top-down and bottom-up reasons. From a bottom-up perspective, valuations remain low relative to history and balance sheets are well positioned following a period of building up surplus capital. From a top-down perspective, as economies recover from the pandemic this should lead to a recovery in loan demand from businesses and consumers. The banking sector could also be a beneficiary if interest rates begin to rise from their exceptionally low current levels.

Within smaller and medium sized companies, the largest new positions added were **Jupiter Fund Management**, **Reach** (a newspaper publisher, formerly Trinity Mirror), **Serica Energy** (a North Sea oil & gas producer) and **Finsbury Food** (a producer of speciality breads and cakes). All of these companies are well managed, cash generative businesses but trade at a valuation discount to the broader UK market because of a 'question mark' around their capacity for future sales and earnings growth. In our view this valuation discount more than reflects the issues and we can see a realistic likelihood of future earnings growth. For example Reach could grow group earnings by better monetising its online content, Serica Energy could acquire additional North Sea assets funded from its strong balance sheet (and is a beneficiary of rising UK gas prices), Finsbury Food will benefit from a reopening of food service channels following the pandemic and Jupiter Fund Management could see a return to net inflows on better sentiment towards UK and European equities.

Two of the largest sales during the year were driven by takeover activity; **St Modwen Properties** was taken over by private equity and **RSA** was taken over by a consortium of peers. Elsewhere sales were, in some cases, driven by share prices reaching what we deemed to be fair value. This was the case with **Avon Protection**, **Secure Income REIT**, **Croda**, **HICL Infrastructure** and **Ten Entertainment**. In some cases sales were driven by industry fundamentals deteriorating or the investment thesis not progressing as planned. This was the case with the small position in **Cineworld**, which was sold as during the pandemic films were increasingly released straight to online platforms (such as Disney+); a trend that we had a concern would continue following the pandemic.

Dividends

2021 was a much more positive year for investment income than 2020. Compared to 33.8p in revenue earnings per share in 2020, earnings per share rose to 42.7p. Both of these numbers need to be considered in the context of 68.0p revenue earnings per share in 2019. Therefore, while dividends have recovered well, they remain significantly below pre-COVID levels.

The key drivers of dividend growth in 2021 were the banking sector (where dividends recovered from near zero levels in 2020 following a suspension of dividends by the regulator), the mining sector as a result of high commodity prices, and a broader resumption of dividends from cyclical industries that reduced or suspended dividends during the peak of the pandemic. Investment income was also helped by the rise in net asset value of the Company allowing us to be net investors during the year while remaining within our historic average 'low to mid teens' percentage gearing level.

Looking into 2022, our forecasts suggest (barring unforeseen circumstances) a further modest rise in investment income from 2021 levels. This is because approximately 17% of the portfolio did not pay a dividend in the 2021 financial year, and we expect the majority of these zero dividend payers to return to paying in the current financial year. Examples of companies

Strategic Report: Fund Managers' Report (continued)

where we expect dividends to resume imminently include Irish insurer **FBD**, **Finsbury Food** and **BT Group**.

While we expect a further rise in investment income in FY22, our forecasts do not indicate a return to the 2019 level. Part of the reason for this is that we have seen some companies (particularly smaller and medium sized companies) rebase their dividend payout ratios during the pandemic. These companies are not currently indicating that they intend to return to their higher historic payouts, therefore there is a portion of the portfolio that will (all else being equal) pay a lower dividend yield than it has historically. In the majority of cases we support company boards with this decision. Company life cycles are in many cases compressing, some companies needing to retain more to stay at the forefront of their industry, whether through organic investment or selective acquisitions. It remains our strongly held view that investment income should be an 'output' from the portfolio rather than the driver of investment decisions.

Environmental, social and governance (ESG) considerations

ESG factors are important not only as a standalone objective in order to allocate the capital of the Company to companies with the most responsible and sustainable practices. It is also crucial for us as Fund Managers to identify the key opportunities and risks for any companies either held in or under consideration for the portfolio. Our approach does not extend to the exclusion of specific sectors (such as fossil fuels); we address the reasons why in more detail below. It continues to be our view that engagement is more conducive to change than exclusion.

There are three core principles of incorporating environmental, social and governance factors into the Lowland investment process:

1. Identifying investment opportunities. Within Lowland we seek to identify companies with underappreciated opportunities for sustainable sales and earnings growth. The drivers of this sustainable growth could include environmental or societal factors; for example the need to decarbonise the global economy is driving demand for alternative energy sources.

2. Identifying material risks. Identifying material ESG risks is an implicit part of the investment process. While identification of a material environmental, social or governance risk does not necessarily preclude ownership within the portfolio, it will be an important consideration when determining position size and appropriate valuation level. Companies which have material ESG risks identified should be actively seeking to address these issues and show evidence of progress; if no progress is evident we would not own the company. Progress is monitored by use of both third-party data sources (such as Sustainalytics) as well as engagement with the company management team. Engagement will be led by either the Fund Managers or the experienced Janus Henderson Governance and Responsible Investment ('GRI') team.

3. Active engagement and upholding strong governance standards. We take our responsibilities as stewards of investors' capital seriously and seek to engage with companies thoughtfully on executive remuneration, where possible always vote at AGMs, and encourage high standards of corporate governance (such as Board diversity). Janus Henderson subscribes to independent proxy voting advisers. In situations where the adviser recommends voting against, the GRI team alongside the Fund Managers will assess whether they agree with the recommendation, with the final voting decision made by the Fund Managers. In our view a company's board and senior executive remuneration policy needs to be appropriately struck relative to both its peers (on a domestic and global basis) and (increasingly) relative to its broader employee base. There needs to be a defensible logic to how corporate remuneration levels have been set.

Examples of applying each of the three core principles:

1. Identifying investment opportunities:

- Ilika (a producer of solid state batteries) – there is a need for non-flammable, faster charging and longer charge retention battery technology. Ilika is seeking to address this by developing and manufacturing solid state batteries for use across a range of applications (such as healthcare, industry and, over the long-term, electric vehicles). Their technology remains at an early stage of commercialisation, but the need for better battery technology driven by (in some cases) the transition away from fossil fuels means potential end markets are large.
- Ricardo (an environmental consultant) – as companies across a broad range of industries commit to achieving net zero, there is a need for a specialist consultant to help companies plan out and achieve these goals. Ricardo work across a range of industries including automobiles, the public sector, defence and utilities to help companies achieve their environmental goals. In our view the need to decarbonise the global economy will be a helpful tailwind to Ricardo's sales and earnings growth.

2. Identifying material risks:

- Royal Dutch Shell and BP – both Royal Dutch Shell and BP continue to generate the majority of their earnings from fossil fuels. Therefore as the world gradually transitions towards lower carbon energy sources there is a question mark surrounding durability of earnings and cash generation. In our view fossil fuels will form a necessary part of the energy transition, with renewable energy sources currently lacking the scale to wholly replace fossil fuels on a short or medium term time horizon. In this transition period, there continues to be a need for fossil fuels to provide the world's energy requirements. These fossil fuel sales are providing Shell and BP with the cash generation to spend meaningful sums (in both absolute

Strategic Report: Fund Managers' Report (continued)

terms and as a proportion of their total capital expenditure) transitioning towards renewable energy. In our view the valuation of Royal Dutch Shell and BP (measured on metrics such as free cash flow generation), combined with their meaningful investment in renewable or lower carbon energy sources, means they merit a place in a portfolio.

3. **Active engagement and upholding strong governance standards:**

- ISS (an independent proxy voting adviser to which Janus Henderson subscribes) recently recommended voting against the AstraZeneca remuneration policy and performance share plan. We compared the potential CEO remuneration under the proposed policy with global pharmaceutical peers and found the policies not to be an outlier. This, combined with the strong long-term performance of AstraZeneca relative to peers and the successful and low-cost COVID vaccine, meant that in our view the package was appropriately struck with a defensible logic. We therefore voted in favour of both the remuneration policy and performance share plan.

Outlook

There are large structural changes happening in the economy. The move away from fossil fuels, the changes in work practices brought about by COVID and the long-term consequences of the UK leaving the EU will lead to fundamental changes in the UK economy. For companies these changes present both challenges and opportunities. It is a very exciting time to observe business models being rethought. As investors in this time of extreme change we need to keep with a relatively long list of diverse holdings in large, medium and small companies. The speed of change is such that some companies will fail to adapt fast enough, while others will grow into substantial businesses if they are supplying excellent and required goods or services.

As well as the large structural changes, the era of ultra-low interest rates might be ending as inflationary pressures build. For instance the move to a lower carbon economy will require substantial investment across much of the economy. During this period there will be transitional costs as new technologies reach commercial scale. These inflationary pressures will be a challenge for economic policy makers for the foreseeable future. The companies that succeed in a period of rising inflation are those that have a differentiated offering that allows them to increase prices, so as to counter supply price increases and preserve margins. Companies that can do this are a very good hedge against inflation.

The portfolio is not centred around a dominant macroeconomic view. It is built up of businesses that we expect to be able to deal with the circumstances they find because they have flexible and dynamic management teams.

James Henderson and Laura Foll
Fund Managers
8 December 2021

Strategic Report: Portfolio Analysis

Sector		United Kingdom %	Overseas %	Total 30 September 2021 %	FTSE All-Share Index 2021 %	Total 30 September 2020 %
Energy	Alternative Energy	0.1	–	**0.1**	–	0.6
	Oil and Gas	6.0	–	**6.0**	8.4	4.6
		6.1	**–**	**6.1**	**8.4**	**5.2**
Basic Materials	Chemicals	0.7	–	**0.7**	0.9	1.7
	Industrial Metals and Mining	4.2	–	**4.2**	7.6	4.5
	Precious Metals and Mining	–	–	**–**	0.5	–
		4.9	**–**	**4.9**	**9.0**	**6.2**
Industrials	Aerospace and Defence	3.4	–	**3.4**	1.8	3.5
	Construction and Materials	4.3	–	**4.3**	1.6	3.8
	Electronic and Electrical Equipment	4.8	–	**4.8**	1.1	5.2
	General Industrials	2.5	–	**2.5**	2.0	2.8
	Industrial Engineering	2.1	1.3	**3.4**	0.7	3.2
	Industrial Support Services	2.0	0.8	**2.8**	4.6	2.7
	Industrial Transportation	3.5	1.6	**5.1**	1.3	4.0
		22.6	**3.7**	**26.3**	**13.1**	**25.2**
Consumer Staples	Beverages	–	–	**–**	3.8	–
	Food Producers	1.3	–	**1.3**	0.6	–
	Personal Care, Drug and Grocery stores	1.2	–	**1.2**	7.5	1.0
	Tobacco	–	–	**–**	3.1	–
		2.5	**–**	**2.5**	**15.0**	**1.0**
Health Care	Medical Equipment and Services	0.6	–	**0.6**	0.6	–
	Pharmaceuticals and Biotechnology	4.0	0.1	**4.1**	9.2	6.5
		4.6	**0.1**	**4.7**	**9.8**	**6.5**
Consumer Discretionary	Automobiles and Parts	–	–	**–**	0.1	–
	Consumer Services	–	–	**–**	1.2	–
	Household Goods and Home Construction	3.1	–	**3.1**	1.6	2.7
	Media	4.4	–	**4.4**	3.1	3.4
	Personal Goods	–	–	**–**	0.5	–
	Retailers	4.1	–	**4.1**	2.2	3.0
	Travel and Leisure	0.2	–	**0.2**	3.8	1.5
		11.8	**–**	**11.8**	**12.5**	**10.6**
Telecommunications	Telecommunication Service Providers	3.0	–	**3.0**	2.0	1.3
		3.0	**–**	**3.0**	**2.0**	**1.3**
Utilities	Electricity	–	–	**–**	0.8	–
	Gas Water and Multi–utilities	4.6	–	**4.6**	2.1	7.1
		4.6	**–**	**4.6**	**2.9**	**7.1**
Financials	Banks	7.2	–	**7.2**	7.3	4.3
	Closed End Investments	2.1	–	**2.1**	6.9	2.9
	Finance and Credit Services	2.6	–	**2.6**	1.3	2.2
	Investment Banking and Brokerage Services	7.0	–	**7.0**	3.1	5.3
	Life Insurance	7.2	0.1	**7.3**	3.1	8.3
	Non–Life Insurance	4.4	1.1	**5.5**	0.8	7.8
		30.5	**1.2**	**31.7**	**22.5**	**30.8**
Real Estate	Real Estate Investment and Services	0.6	–	**0.6**	0.6	1.5
	Real Estate Investment Trusts	1.8	–	**1.8**	2.6	2.7
		2.4	**–**	**2.4**	**3.2**	**4.2**
Technology	Software and Computer Services	0.8	–	**0.8**	1.5	0.8
	Technology Hardware and Equipment	1.2	–	**1.2**	0.1	1.1
		2.0	**–**	**2.0**	**1.6**	**1.9**
	Investments	95.0	5.0	**100.0**	**100.0**	100.0
	Total at 30 September 2021	**95.0**	**5.0**	**100.0**	**100.0**	**–**
	Total at 30 September 2020	**96.1**	**3.9**	**–**	**–**	**100.0**

Strategic Report: Twenty Largest Holdings

Twenty Largest Holdings as at 30 September 2021

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

Rank 2021 (2020)	Company	% of portfolio	Approximate market capitalisation	Valuation 2020 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2021 £'000**
1 (8)	**Royal Dutch Shell** A vertically integrated oil & gas company. At the current oil price the company is capable of generating substantial amounts of free cash flow. This cash is being allocated partly to shareholders (via a growing dividend and share buyback) and partly to investing in the necessary transition away from fossil fuels.	2.6	£137.9bn	6,670	–	–	4,897	**11,567**
2 (1)	**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 turnaround what has been a mixed research and development track record.	2.5	£71.7bn	13,141	329	(1,502)	(671)	**11,297**
3 (2)	**Phoenix** The company operates primarily in the UK and specialises in taking over and managing closed life insurance and pension funds.	2.4	£6.6bn	11,509	–	–	(712)	**10,797**
4 (3)	**Severn Trent** A UK water utility with a well invested network and strong track record on operational performance. There is a good dividend yield with scope to grow.	2.2	£6.7bn	9,146	–	–	619	**9,765**
5 (5)	**Prudential** The company provides an assortment of insurance and investment products around the world, with a particular focus on fast growing Asian markets.	2.1	£40.2bn	7,209	–	–	2,245	**9,454**
6 (*)	**K3 Capital** The company provides a range of corporate services to UK small and medium sized businesses, including M&A advisory, restructuring and tax services. The company has grown well in recent years, both organically and via acquisitions.	2.1	£250.9m	3,633	372	–	5,271	**9,276**
7 (7)	**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.	1.9	£40.1bn	6,904	–	–	1,684	**8,588**

* Not in the top 20 largest investments last year

Strategic Report: Twenty Largest Holdings (continued)

Rank 2021 (2020)	Company	% of portfolio	Approximate market capitalisation	Valuation 2020 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2021 £'000**
8 (11)	**Morgan Advanced Materials** A designer and producer of specialist materials and components for a range of end markets including transportation, semiconductors, healthcare and general industry. Under a new management team the business has invested in research and development and the results are beginning to be evident in improved organic growth and margins.	1.9	£991.7m	5,653	–	–	2,897	**8,550**
9 (*)	**BP** A vertically integrated oil and gas business. The company has announced ambitious plans to reach net zero carbon emissions by 2050 and gradually transition away from fossil fuels towards renewable energy. The cash generation from their oil & gas business should enable this transition to take place, while also continuing to fund cash returns to shareholders via dividends and share buybacks.	1.8	£72.0bn	3,265	2,122	–	2,949	**8,336**
10 (6)	**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.	1.8	£3.8bn	7,004	2,061	(1,402)	446	**8,109**
11 (15)	**Aviva** This company provides a wide range of insurance and financial services. Under a new CEO there is heightened focus on simplifying the business and exiting peripheral geographies.	1.8	£15.3bn	5,000	773	–	2,145	**7,918**
12 (*)	**Vodafone** The company provides fixed line and mobile telecommunication services across much of the globe. It pays an attractive dividend yield to shareholders with scope to modestly grow earnings.	1.7	£30.5bn	4,177	3,342	–	93	**7,612**
13 (17)	**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.	1.7	£90.5bn	4,763	1,504	–	1,260	**7,527**
14 (*)	**Redde Northgate** The company provides flexible vehicle hire and fleet management services. The company was formed via a merger in 2020 and has performed well as a combined business.	1.7	£968.4m	3,430	–	–	4,023	**7,453**

* Not in the top 20 largest investments last year

Strategic Report: Twenty Largest Holdings (continued)

Rank 2021 (2020)	Company	% of portfolio	Approximate market capitalisation	Valuation 2020 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2021 £'000
15 (*)	**Senior** An engineering company which designs and manufactures components for sectors including aerospace, trucks and energy. The civil aerospace market has been suppressed during the pandemic but the company has managed costs well and is well placed to benefit as the market recovers.	1.6	£671.1m	1,870	–	–	5,363	**7,233**
16 (4)	**National Grid** A regulated utility (electricity and gas distribution) operating in the US and UK. The regulated asset base has good scope to grow in both the US and the UK. The shares pay an attractive dividend yield.	1.6	£33.0bn	7,267	–	–	(43)	**7,224**
17 (*)	**Anglo American** A diversified mining company with exposure to commodities including copper, iron ore, diamonds and platinum. Its mix of commodity production means it could be well positioned to benefit from the need to decarbonise the global economy. For example, it is significantly exposed to copper where demand is likely to grow driven by its use in electric vehicles as well as renewable energy.	1.6	£38.0bn	3,939	1,976	–	1,166	**7,081**
18 (12)	**Irish Continental**[1] The group provides passenger transport, roll-on and roll-off freight transport and container services between Ireland, the UK and Continental Europe. The shares have been impacted by reduced passenger demand during the pandemic, however, it continues to be a well managed business operating in a duopolistic industry.	1.6	£683.0m	5,298	–	–	1,682	**6,980**
19 (*)	**M&G** The company was originally spun out of Prudential in 2019, and provides a range of investment and insurance products in the UK market. The company pays an attractive dividend yield to shareholders.	1.5	£5.1bn	3,429	2,409	–	1,084	**6,922**
20 (*)	**NatWest** The company is one of the leading retail and commercial lenders in the UK. Since the financial crisis the balance sheet has been materially improved and the business has largely returned to its original focus on domestic lending. The company's earnings would benefit from any rise in UK interest rates.	1.4	£26.5bn	2,280	1,221	–	3,018	**6,519**
				115,587	**16,109**	**(2,904)**	**39,416**	**168,208**

At 30 September 2021 these investments totalled £168,208,000 or 37.5% of portfolio.

* Not in the top 20 largest investments last year
1. Overseas listed stock (Ireland)

Strategic Report: Investment Portfolio

30 September 2021 Position	Investments	Sector	Market value £'000	% of Portfolio
1	Royal Dutch Shell	Oil and Gas	11,567	2.6
2	GlaxoSmithKline	Pharmaceuticals and Biotechnology	11,297	2.5
3	Phoenix	Life Insurance	10,797	2.4
4	Severn Trent	Gas Water and Multi-utilities	9,765	2.2
5	Prudential	Life Insurance	9,454	2.1
6	K3 Capital[1]	Investment Banking and Brokerage Services	9,276	2.1
7	Relx	Media	8,588	1.9
8	Morgan Advanced Materials	Electronic and Electrical Equipment	8,550	1.9
9	BP	Oil and Gas	8,336	1.8
10	Direct Line	Non-Life Insurance	8,109	1.8
10 largest			**95,739**	**21.3**
11	Aviva	Life Insurance	7,918	1.8
12	Vodafone	Telecommunication Service Providers	7,612	1.7
13	HSBC	Banks	7,527	1.7
14	Redde Northgate	Industrial Transportation	7,453	1.7
15	Senior	Aerospace and Defence	7,233	1.6
16	National Grid	Gas Water and Multi-utilities	7,224	1.6
17	Anglo American	Industrial Metals and Mining	7,081	1.6
18	Irish Continental	Industrial Transportation (Ireland)	6,980	1.6
19	M&G	Investment Banking and Brokerage Services	6,922	1.5
20	NatWest	Banks	6,519	1.4
20 largest			**168,208**	**37.5**
21	Barclays	Banks	6,446	1.4
22	Epwin[1]	Construction and Materials	6,332	1.4
23	Ilika[1]	Electronic and Electrical Equipment	6,279	1.4
24	Lloyds Banking	Banks	6,169	1.4
25	Rio Tinto	Industrial Metals and Mining	6,142	1.4
26	Clarkson	Industrial Transportation	6,131	1.4
27	Headlam	Household Goods and Home Construction	5,918	1.3
28	BT Group	Telecommunication Service Providers	5,913	1.3
29	Somero Enterprises[1]	Industrial Engineering (USA)	5,824	1.3
30	Hiscox	Non-Life Insurance	5,806	1.3
30 largest			**229,168**	**51.1**
31	Standard Chartered	Banks	5,794	1.3
32	IP Group	Investment Banking and Brokerage Services	5,585	1.3
33	Henderson Opportunities Trust	Closed End Investments – Investment Trust focusing primarily on UK smaller companies	5,540	1.2
34	Mondi	General Industrials	5,487	1.2
35	Tesco	Personal Care, Drug and Grocery Stores	5,466	1.2
36	IMI	Electronic and Electrical Equipment	5,454	1.2
37	TT Electronics	Technology Hardware and Equipment	5,420	1.2
38	Hill & Smith	Industrial Metals and Mining	5,305	1.2
39	FBD	Non-Life Insurance (Ireland)	5,096	1.1
40	BAE Systems	Aerospace and Defence	5,087	1.1
40 largest			**283,402**	**63.1**

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

Strategic Report: Investment Portfolio (continued)

30 September 2021 Position	Investments	Sector	Market value £'000	% of Portfolio
41	Land Securities	Real Estate Investment Trusts	4,879	1.1
42	Marks & Spencer	Retailers	4,863	1.1
43	DS Smith	General Industrials	4,805	1.1
44	Randall & Quilter[1]	Non-Life Insurance	4,771	1.0
45	Serica Energy[1]	Oil and Gas	4,620	1.0
46	AstraZeneca	Pharmaceuticals and Biotechnology	4,612	1.0
47	Reach	Media	4,543	1.0
48	Studio Retail	Retailers	4,375	1.0
49	Jupiter Fund Management	Investment Banking and Brokerage Services	4,375	1.0
50	International Personal Finance	Finance and Credit Services	4,373	1.0
50 largest			**329,618**	**73.4**
51	Halfords	Retailers	4,256	1.0
52	Numis[1]	Investment Banking and Brokerage Services	4,206	0.9
53	Hipgnosis	Closed End Investments – Investment Trust investing in song back catalogues	4,158	0.9
54	STV	Media	3,894	0.9
55	Chesnara	Life Insurance	3,841	0.9
56	Balfour Beatty	Construction and Materials	3,813	0.9
57	Bellway	Household Goods and Home Construction	3,771	0.8
58	Eleco[1]	Software and Computer Services	3,690	0.8
59	Castings	Industrial Engineering	3,681	0.8
60	DCC	Industrial Support Services (Ireland)	3,563	0.8
60 largest			**368,491**	**82.1**
61	Centrica	Gas Water and Multi-utilities	3,541	0.8
62	Finsbury Food Group[1]	Food Producers	3,420	0.8
63	Rolls–Royce	Aerospace and Defence	3,340	0.7
64	Churchill China[1]	Household Goods and Home Construction	3,328	0.7
65	Vertu Motors[1]	Retailers	3,276	0.7
66	Palace Capital	Real Estate Investment Trusts	3,209	0.7
67	Tyman	Construction and Materials	3,150	0.7
68	Provident Financial	Finance and Credit Services	3,124	0.7
69	Elementis	Chemicals	3,054	0.7
70	Vitec	Industrial Engineering	2,993	0.7
70 largest			**400,926**	**89.3**
71	Ricardo	Construction and Materials	2,952	0.7
72	Helical	Real Estate Investment and Services	2,873	0.6
73	Alpha Financial Markets[1]	Industrial Support Services	2,838	0.6
74	H&T Group[1]	Finance and Credit Services	2,798	0.6
75	Euromoney	Industrial Support Services	2,794	0.6
76	Daily Mail & General Trust	Media	2,725	0.6
77	Convatec	Medical Equipment and Services	2,591	0.6
78	Johnson Service[1]	Industrial Support Services	2,578	0.6
79	Renold[1]	Industrial Engineering	2,483	0.6
80	Devro	Food Producers	2,349	0.5
80 largest			**427,907**	**95.3**

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

Strategic Report: Investment Portfolio (continued)

30 September 2021 Position	Investments	Sector	Market value £'000	% of Portfolio
81	Ibstock	Construction and Materials	2,332	0.5
82	Oxford Sciences Innovation[2]	Pharmaceuticals and Biotechnology	1,973	0.5
83	Flowtech Fluidpower[1]	Electronic and Electrical Equipment	1,548	0.3
84	Jadestone Energy[1]	Oil and Gas	1,501	0.3
85	Shoe Zone[1]	Retailers	1,450	0.3
86	Fisher (James) & Sons	Industrial Transportation	1,434	0.3
87	Airea[1]	Household Goods and Home Construction	1,155	0.3
88	Sabre Insurance	Non-Life Insurance	1,146	0.3
89	Appreciate[1]	Finance and Credit Services	1,126	0.3
90	DWF Group	Industrial Support Services	1,090	0.2
90 largest			**442,662**	**98.6**
91	Carclo	General Industrials	1,084	0.2
92	Indus Gas[1]	Oil and Gas	973	0.2
93	Brooks Macdonald Group	Investment Banking and Brokerage Services	786	0.2
94	Wadworth – Ordinary shares[2]	Travel and Leisure	769	0.2
95	Velocys[1]	Alternative Energy	475	0.1
96	Faron Pharmaceuticals[1]	Pharmaceuticals and Biotechnology (Finland)	365	0.1
97	Severfield	Construction and Materials	335	0.1
98	Esken	Industrial Transportation	333	0.1
99	Jackson Financial	Life Insurance (USA)	313	0.1
100	Harbour Energy	Oil and Gas	227	0.1
100 largest			**448,322**	**100.0**
101	SIMEC Atlantis Energy[1]	Alternative Energy	132	–
102	Wadworth – Preference shares[2]	Travel and Leisure	126	–
103	Providence Resources[1]	Oil and Gas (Ireland)	116	–
104	Chamberlin[1]	Industrial Metals and Mining	63	–
105	Mercantile Ports & Logistics[1]	Industrial Transportation	44	–
106	Infrastructure India[1]	Closed End Investments	29	–
107	Carillion[3]	Industrial Support Services	–	–
108	Interserve[3]	Industrial Support Services	–	–
Total Investments			**448,832**	**100.0**

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

Environmental, Social and Governance Matters

Our Approach to Environmental, Social and Governance Matters

The Board believes that integrating environmental, social and governance (ESG) factors into the investment decision making and ownership practices is an important element in delivering the Company's investment objective. ESG considerations are a fully integrated component of the investment processes employed by the Fund Managers and the wider investment teams at Janus Henderson.

Defining ESG

- **Environmental** factors include climate change, energy efficiency, resource depletion and water and waste management.
- **Social** factors include employee and community relations, diversity, quality of life, enhancements in knowledge and advances in supportive technology for improved sustainability.
- **Governance** factors include mitigating risks such as bribery and corruption, questioning board diversity, executive pay, accounting standards and shareholder rights, and positively influencing corporate behaviour.

Investment Considerations

Business sustainability is at the core of the investment strategy of the Company which includes considerations on ESG issues. As with managing a business's operational and financial risks, those companies with good processes for managing ESG risk factors outperform. While no sector is specifically excluded from investment on ESG grounds, the Fund Managers seek to understand how a company is managing ESG risks through its policies and processes and where its investments are targeted to evolve its business models to remain sustainable over the longer term.

The analysis of ESG factors is integrated into the stock selection and monitoring process. As with understanding a company's fundamentals and financial health, the evaluation of ESG risks and opportunities is also integral to determine the value of a business.

Janus Henderson seeks to understand how investee companies are managing ESG risks, including climate change, through their policies and processes and where their investments are targeted to evolve their business models to remain sustainable over the long term. Janus Henderson engages actively with companies and their management teams and uses a variety of sources to help identify and monitor material ESG risks, including research from their fund managers and analysts, input from the Janus Henderson Governance and Responsible Investment team and third-party data providers.

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.

The Fund Managers discuss their core principles in their report, but these are broken down into three main areas:

1. identifying investment opportunities
2. identifying material risks
3. active engagement and upholding strong governance standards.

Please see the Fund Managers' report for what these mean and examples of how they have been applied.

Stewardship and Company Engagement

Stewardship is an integral and natural part of Janus Henderson's long-term, active approach to investment management. Strong ownership practices, such as management engagement and proxy voting, can help protect and enhance long-term shareholder value. Janus Henderson entities support a number of stewardship codes and broader initiatives around the world including being a founder signatory of the UN Principles for Responsible Investment. The intensive research of the portfolio managers and analysts involves conducting on an annual basis thousands of interviews with senior executives and chairmen of companies throughout the world. These teams naturally develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, they seek to leverage these constructive relationships by engaging with company management or expressing their views through voting on management or shareholder proposals. Escalation of the engagement activities depends upon a company's individual circumstances.

Voting

The Board believes 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. The Board has chosen to delegate responsibility to Janus Henderson for voting the rights attached to the shares held in the Company's equity portfolio and the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles. These can be found on the Manager's website at **www.janushenderson.com**.

Corporate governance regimes vary significantly as a function of factors such as the relevant legal system, extent of shareholder rights and level of dispersed ownership. The voting and engagement activities vary according to the market and pay close attention to local market codes of best practice.

Environmental, Social and Governance Matters

(continued)

However, there are certain core principles that are universal:

- disclosure and transparency;
- board responsibilities;
- shareholder rights; and
- audit and internal controls.

A key element of the Board's approach to proxy voting is to support these principles and to foster the long-term interests of the Company's shareholders.

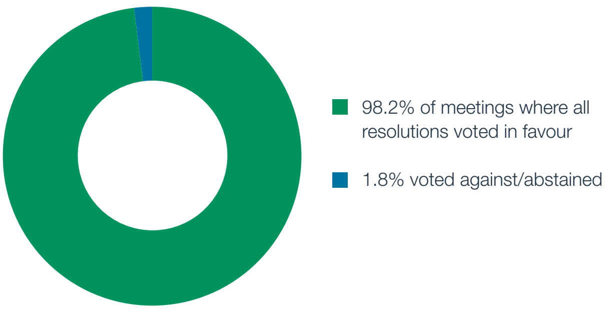
In order to retain oversight of the process, the Board receives an annual report on how the Manager has voted the shares held in the Company's equity portfolio and reviews, at least annually, the Manager's ESG Corporate Statement and ESG Investment Principles.

In the period under review, investee companies held 130 general meetings. The shares held in the Company's equity portfolio were voted in respect of 98.5% of these meetings with the remaining 1.5% not voted due to voting impediments.

The level of governance in leading global companies is generally of a high standard in terms of best practice which has meant that support in favour of the resolutions proposed by management was warranted. However, out of the 130 meetings held there were 13 where the Manager voted against or abstained from at least one resolution, following discussion between the Fund Managers and the GRI Team. On occasion, the Manager takes voting decisions after consultation with the Chairman on behalf of the Board.

In terms of the resolutions not supported, these related to executive remuneration policies, the appointment of directors, the acceptance of financial report and accounts, remuneration of the auditor and share issuance without pre-emption rights.

Voting record



The Environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Janus Henderson recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. To this end, Janus Henderson has made the following commitments:

- maintain a carbon neutral status;
- reduce carbon use by 15% per full time employee over a three year period – starting January 2019; and
- maintain a Carbon Disclosure Project (CDP) score of B, which is higher than the financial services sector average CDP score of C (CDP scores range from A to D, with A being the best).

Business Ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its service providers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Strategic Report: Business Model

Purpose and Values

The Company's purpose is to deliver growth in income and capital for shareholders by investing in equities. We do this by following a disciplined process for investment and by controlling costs and using borrowings to enhance returns.

The Board aspires to follow high standards of governance, with a culture based on openness, mutual respect, integrity, constructive challenge and trust. The Board seeks always to act in the best interests of shareholders, making the most effective use possible of the diversity of skills and experience of its members. This culture of openness and constructive challenge extends to the Board's interaction with the Manager, being the Company's most important service provider. The Board expects the Manager and all of the Company's other service providers to hold values which align with the high standards promoted by the Board.

Our Strategy

We fulfil our purpose by operating as an investment company, enabling us to delegate operational matters to specialised third-party service providers. Their performance is monitored and challenged by a Board of Directors which retains oversight of the Company's operations.

The framework of delegation provides a cost-effective mechanism for delivering operations whilst allowing the Company to take advantage of the capital gains tax treatment afforded to investment trusts which are approved under section 1158/9 of the Corporation Tax Act 2010 as amended ('s.1158/9'). The closed-end nature of the Company enables the Fund Managers to take a longer term view of investments and supports a fully invested portfolio as the Company has no redemptions to meet. A significant advantage over other investment fund structures is the ability to use leverage to increase returns for shareholders.

The Board is comprised entirely of non-executive Directors accountable to shareholders, who have the ability to remove a Director from office where they deem it to be in the interests of the Company.

The Company's Status

The Company is registered as a public limited company, founded in 1960, and is an investment company as defined in Section 833 of the Companies Act 2006 ('the Act'). The Company is not a close company. It operates as an investment trust in accordance with s.1158/9 and has obtained approval from HMRC for its status. The Directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority ('FCA'). The Company is a member of the Association of Investment Companies ('AIC').

The Company, and the Board, is governed by its Articles of Association, amendments to which must be approved by shareholders by way of special resolution.

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, and 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.

Promoting the Company's Success

Section 172 statement

The Directors' overarching duty is to promote the success of the Company for the benefit of investors, with consideration of stakeholders' interests, as set out in Section 172 of the Act. The Board regards a well governed business as essential for the successful delivery of its investment proposition.

Shareholders' assets are managed taking account of our stakeholders and their interests. The Board maintains a map of the Company's key stakeholders which supports it in understanding and fostering an appropriate level of interaction with them.

The Company has no employees, premises, assets other than financial assets or operations. The Board engages reputable third-party suppliers with established track records to deliver day-to-day operations. The most important of these is the Manager, in particular the Fund Managers, who are responsible for the management of the Company's assets in

Strategic Report: Business Model (continued)

line with the investment objective, the Corporate Secretary, the Director and Head of Investment Trusts and the Financial Reporting Manager for Investment Trusts. The Board maintains a close working relationship with the Manager and holds it to account for the smooth running of the Company's day-to-day business. There is continuous engagement and dialogue between Board meetings, with communication channels remaining open and information, ideas and advice flowing freely between the Board and the Manager.

The Board retains responsibility for decisions over corporate strategy, corporate governance, risk and internal control assessment, determining the overall limits and restrictions for the portfolio and in respect of gearing and asset allocation, investment performance monitoring and setting marketing budgets.

The Fund Managers promote the Company with the support of the Manager's dedicated investment trust sales team and the Board makes additional spend available to support marketing activities aimed at raising the profile of the Company among retail investors in the UK.

The Manager co-ordinates the delivery of services from the Company's third-party suppliers. The Board is confident that Janus Henderson has developed and maintains good working relationships with all of the Company's third-party suppliers. To ensure the chosen service providers continue to deliver the expected level of service, the Board receives regular reports from them, evaluates the control environments in place at each service provider and formally assesses their appointment annually. By doing so, the Board seeks to ensure that the key service providers continue to be appropriately remunerated to deliver the level of service that it demands of them.

The Directors carry out their duties under Section 172 of the Act to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decisions in the long term, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment and the desirability of the Company maintaining a reputation for high standards of business conduct.

The Directors are responsive to the views of shareholders and the Company's wider stakeholders. Shareholders may contact the Board via the Corporate Secretary (please refer to page 28 for contact details).

For more information about the responsibilities with which the Board and its Committees are charged, please refer to the Corporate Governance Statement (pages 40 to 45), the Audit Committee Report (pages 46 to 48), the Directors' Remuneration Report (pages 37 to 39) and the Report of the Directors (pages 34 to 35) in addition to the Strategic Report. The Schedule of Matters Reserved for the Board as well as the Terms of Reference for each of the Committees of the Board can be found on the Company's website.

Engagement with Stakeholders

The Company's main stakeholders are its shareholders and investors, the Manager and other third-party service providers and the companies in which it invests. Wider stakeholders include the Company's lenders and regulatory and legislative bodies. Interaction is facilitated through meetings (both face-to-face and, particularly more recently, via video conferencing and other electronic means), seminars, presentations, publications and the Company's website. Set out below are examples of the way the Board and the Company interacts with its stakeholders.

Stakeholder	Engagement	Outcome
Shareholders and investors	The Board communicates with shareholders through the annual and half year reports, fact sheets, press releases, website and videos recorded by the Fund Managers. The Board meets with shareholders at the Annual General Meeting, which will be live-streamed and shareholders are therefore able to join the Meeting online if they cannot attend in person. The Annual General Meeting includes a Fund Manager presentation and Q&A session. The Chairman and Directors are available to meet with the Company's largest shareholders. The Fund Managers, the Manager's sales and marketing team, the broker and external marketing research providers (Edison) also meet with shareholders and analysts.	Shareholders are able to make informed decisions about their investments. Correspondence from shareholders is shared with the Chairman immediately and with the Board at each meeting. The Board looks forward to meeting with shareholders at the Annual General Meeting this year. The presentation from the Fund Managers will also be available to watch on the Company website after the Annual General Meeting.

Strategic Report: Business Model (continued)

Stakeholder	Engagement	Outcome
Manager	The Fund Managers attend all Board meetings. The Board receives timely and accurate information from the Manager at meetings and engages with the Fund Managers and Corporate Secretary between meetings as well as with other representatives as and when it is deemed necessary. In addition to reporting at each meeting, the Board meets with key representatives of the Manager throughout the year to develop strategy and assess internal controls and risk management, e.g. sales and marketing activities, to promote the success of the Company and raise its profile.	The Board places great value on the expertise and experience of the Fund Managers to execute the investment objective and deliver returns for shareholders, and on the Manager's internal controls and risk management. Throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager, receiving updates on areas such as portfolio activity, gearing and the impact on income and the Company's ability to meet its investment objective.
Service providers	As an investment company, all services are outsourced to third-party service providers. The Board considers the Company's key service providers to be the Manager, Broker, Depositary, Registrar, Auditor and Administrator. The Board regularly considers the support provided by the service providers, including quality of service, succession planning and any potential interruption of service or other risks to provision. The Board is conscious of the need to foster good business relationships with its suppliers as well as its shareholders and others.	The Manager maintains the overall day-to-day relationship with the service providers and reports back to the Board on performance at least annually. The Board meets service suppliers as and when considered necessary or desirable.
Investee companies	The Board sets the investment objective and discusses stock selection and asset allocation with the Fund Managers regularly. On behalf of the Company, the Manager engages with the investee companies, exercising good stewardship practices, including a focus on ESG matters with an approach agreed with the Board.	The Manager has a dedicated Governance and Responsible Investment Team that the Fund Managers can use when making investment decisions and voting. Please also see the section "Our approach to Environmental, Social and Governance Issues" on pages 20 to 21.
Lenders	The Company employs gearing to enhance returns to shareholders. The Company confirms compliance with the covenants of its long- and short-term gearing facilities on a monthly basis. The Board makes all material decisions in relation to this and is kept informed at Board meetings.	The Company maintains a good relationship with its lenders and is able to raise financing to operate effectively as an investment trust.
Auditors	The Auditor attends at least one Audit Committee meeting each year. The Board considers a letter of engagement each year for the Auditor and subject to considering the Auditor's performance, asks shareholders at each AGM to appoint/re-appoint the Auditor depending on where it is in the audit tender cycle.	Shareholders, potential investors and the wider stakeholders who place reliance on the Company's audited Annual Report and financial statements have the assurance that the audit has been carried out by an appropriate auditor and that the Board have reviewed the audit findings.
The Association of Investment Companies ('AIC')	The Company is a member of the AIC which is an organisation that looks after the interests of investment trusts.	The Board chooses to report under the AIC Code of Corporate Governance as this better reflects the unique aspects of an investment trust in the context of good corporate governance.
Regulatory and legislative bodies	The Company is listed on the London Stock Exchange. The Board mandates compliance with relevant law and regulation and the Company Secretary supports the Board in effective management of all legal and compliance requirements including those of the FCA, HMRC and the UK government. The Board also considers necessary regulatory and compliance issues in making its decisions.	Compliance with law and regulation maintains the Company's licence to operate and helps to retain its reputation for high standards of business conduct.

Strategic Report: Business Model (continued)

Stakeholder	Engagement	Outcome
Communities and the environment	The Board mandates the Manager, supported by its governance function, to engage with investee companies at the appropriate time on ESG matters in line with good stewardship practices, including a focus on ESG matters with an approach agreed with the Board. The Board is also conscious of the importance of providing an investment product which meets the needs of its investors, including retail investors.	An investment approach that meets the needs of investors provides a service valuable to the communities in which the Company operates. The Board is also conscious of the need to take appropriate account of broader ESG concerns and to act as a good corporate citizen.

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 (or less, in which case compensation would be payable to the Manager). The Manager can terminate the agreement on twelve months' notice. HIFL delegates investment management services to Henderson Global Investors Limited. Both entities are authorised and regulated by the 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 Manager since 1990 and Laura has been co-Manager 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 £325m of the average net chargeable assets with the balance above that charged at a reduced rate of 0.4% per annum for the financial year under review. With effect from 1 October 2020, the Manager is no longer eligible to earn a performance fee. For the year ended 30 September 2020, the management fee was calculated on a tiered basis at a 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%. No performance fee was payable in the year ended 30 September 2020. Management 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.

For the year ended 30 September 2020, the performance fee was 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 would be charged to the capital account. There was a cap on the performance fee of 0.25% per annum of average net chargeable assets in any one year.

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

Strategic Report: Biographies

From left to right: Duncan Budge, Laura Foll, Helena Vinnicombe, Robert Robertson, Thomas Walker, Gay Coley, James Henderson.

All Directors are non-executive and considered independent of Janus Henderson and are members of the Audit (except the Chairman), Nominations, Management Engagement and Insider Committees.

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 a number of private companies. He was previously chairman of West China Cement Limited, a director of BlackRock Smaller Companies Trust plc, 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 the Secured Investment Fund plc, Asia Dragon Trust plc and Foresight 4 VCT 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.

Helena Vinnicombe

Position: Director

Appointed: 1 May 2021

Helena is currently a Trustee for Child Health Research CIO and a member of the Advisory Committee for the M&G Charity Multi-Asset Fund. She was formerly a senior Partner at Smith & Williamson Investment Management, where she latterly chaired the Asset Allocation Committee as well as being a member of the Investment Strategy Group and Investment Process Committee. Helena brings extensive experience of asset management, client relationships and sales, strategy and risk management, as well as strategic and operational experience in asset allocation, investment research and client management.

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 Small Cap Growth and Income 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 38 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 12 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 2021
Ex dividend date	30 December 2021
Dividend record date	31 December 2021
Annual General Meeting	26 January 2022
Final dividend payable on	31 January 2022
Half year results	announced May 2022

Information Sources

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

To sign up for expert insights about investment trusts, updates from our fund managers as well as AGMs and Trust TV episodes please visit this page: **https://www.janushenderson.com/en-gb/investor/subscriptions/**

Follow Janus Henderson Investment Trusts on LinkedIn

For alternative access to Janus Henderson's insight you can now follow on LinkedIn.

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.

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.

Strategic Report: Corporate Information (continued)

Managing Risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks and uncertainties, including emerging risks, facing the Company including those that would threaten its business model, future performance, solvency, liquidity and reputation. The Board regularly considers the principal risks facing the Company and has drawn up a matrix of risks. The Board has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are set out in the table below. The principal financial risks are detailed in note 14 to the financial statements.

The Board has also considered the impact of the COVID-19 pandemic on the Company. The pandemic developed significantly and swiftly in 2020, triggering sharp falls in global stock markets and resulting in uncertainty about the ongoing impact on markets and companies, and around future dividend income. The ongoing risks associated with the pandemic are therefore considered one of the principal risks facing the Company.

Principal risks	Mitigating measure
Global pandemic The impact of the coronavirus pandemic on the Company's investments and its direct and indirect effects, including the effect on the global economy.	The Fund Managers maintain close oversight of the Company's portfolio, and in particular its gearing levels, and the performance of investee companies. Regular stress testing of the revenue account under different scenarios for dividends is carried out. The Board monitors the effects of the pandemic on the operations of the Company and its service providers to ensure that they continue to be appropriate, effective and properly resourced.
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 monitors risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.
Portfolio and market price 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. A fall in the market value of the Company's portfolio would have an adverse effect on equity shareholders' funds.	The Board reviews the portfolio at the five Board meetings held each year and receives regular reports from the Company's brokers. A detailed liquidity report is considered on a regular basis. The Fund Managers closely monitor the portfolio between meetings and mitigate this risk through diversification of investments. The Fund Managers periodically present the Company's investment strategy in respect of current market conditions. Performance relative to the FTSE All-Share Index, and other UK equity income trusts is also monitored.
Dividend income A reduction in dividend income could adversely affect the Company's dividend record.	The Board reviews income forecasts at each meeting. The Company has revenue reserves of £6.7 million (before payment of the third interim and final dividend) and distributable capital reserves of £271.2 million.

Strategic Report: Corporate Information (continued)

Principal risks	Mitigating measure
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. Please also see note 14 to the accounts.
Gearing risk 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.	At the point of drawing down debt, gearing will never exceed 29.99% of the portfolio valuation. 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.
Tax and regulatory Changes in the tax and regulatory environment could adversely affect the Company's financial performance, including the return on equity. A breach of s.1158/9 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, or financial or reputational damage.	The Manager provides its services, inter alia, through suitably qualified professionals and the Board receives internal control reports produced by the Manager on a quarterly basis, which confirm legal and regulatory compliance. The Fund Managers also consider tax and regulatory change in their monitoring of the Company's underlying investments.
Operational Disruption to, or failure of, the Manager's or its administrator's (BNP Paribas Securities Services) accounting, dealing or payment systems or the Depositary's records could prevent the accurate reporting and monitoring of the Company's financial position. Cyber crime could lead to loss of confidential data. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.	The Board monitors the services provided by the Manager and its other suppliers and receives reports on the key elements in place to provide effective internal control. Cyber security is closely monitored and the Audit Committee receives an annual presentation from Janus Henderson's Head of Information Security. Details of how the Board monitors the services provided by Janus Henderson and its other suppliers 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 41.

Emerging risks

In addition to the principal risks facing the Company, the Board also regularly considers potential emerging risks, which are defined as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of the probability of them happening and the possible effects on the Company. Should an emerging risk become sufficiently clear, it may be moved to a principal risk.

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 and emerging risks and uncertainties as documented above in this Strategic Report.

The assessment has considered the impact of the likelihood of the principal and emerging 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, 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

Strategic Report: Corporate Information (continued)

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. Also 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.

In coming to this conclusion, the Directors have considered the impact of the COVID-19 pandemic and the UK's ongoing trade relationship with the European Union following its departure from the European Union, in particular the impact on income and the Company's ability to meet its investment objective. The Board does not believe that they will have a long-term impact on the viability of the Company and its ability to continue in operation, notwithstanding the short-term uncertainty they have caused in the markets.

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 charge 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 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 NAV; 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, reducing the bid/offer spread (the difference in price between which investors can buy and sell shares), reducing the ongoing charge ratio, growing the Company, and increasing liquidity in its shares. The Board believes that each of these five 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 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 calculated in accordance with AIC guidance. 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 Industrial and Commercial Bank of China of up to £40m, which allowed it to borrow as and when appropriate. The Company also has a conditional option to increase the facility by £20m. This facility, which bears interest at LIBOR plus 0.9% until 31 December 2021, at which point it will move to a risk-free rate, expires on 27 October 2022.

The maximum amount drawn down in the year under review was £33.1m (2020: £23.7m), with borrowing costs for the year totalling £214,000 (2020: £241,000). £33.1m (2020: £16.1m) of the facility was in use at the year end.

Strategic Report: Corporate Information (continued)

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 2021 was 13.8% (2020: 15.0%) 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.

Board Diversity and Experience

The Company's affairs are overseen by a Board comprised of five non-executive Directors – two females and three males (although six directors served during the year). 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 Board welcomes the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review about ethnic representation. The Board complies with the recommendations of the Hampton-Alexander Review. It is not yet in scope for the recommendations of the Parker Review, but will consider all relevant recommendations when making new appointments. The Company has no employees and therefore has no further disclosures to make in respect of gender representation within the Company.

Approval

The Strategic Report has been approved by the Board.

Robert Robertson
Chairman
8 December 2021

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 2021.

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.

Results and Dividends

The results for the year are set out in the financial statements. Three interim dividends of 15.0p each, totalling 45.0p per share, have been declared and/or paid in respect of the year to 30 September 2021. See note 10 on page 65 for more information. A final dividend of 15.25p per share is being proposed for consideration by shareholders at the forthcoming AGM.

Directors' Remuneration and Shareholdings

The Directors' Remuneration Report on pages 37 to 39 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 2021, 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 2021 the Directors were granted authority to buy-back 4,050,082 shares. At 30 September 2021 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 2022 AGM.

The Company will seek authority from its shareholders at the 2022 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. The main circumstances in which the Board may choose to exercise these authorities are set out in the section on Discount/Premium to Net Asset Value on page 31. Shareholders will be asked to approve the sub-division of each existing ordinary share of 25p each into 10 new ordinary shares of 2.5p each (see the Chairman's Statement on page 6 and the Notice of Meeting (sent separately with this Annual Report)) for more information.

Reappointment of Auditor

Ernst & Young LLP act as the Company's Auditor. Resolutions to reappoint Ernst & Young LLP as Auditor and to authorise the Audit Committee to determine the Auditor's remuneration will be put to the AGM.

Holdings in the Company's Shares

There were no declarations of interests in the voting rights of the Company as at 30 September 2021 in accordance with the Disclosure, Guidance and Transparency Rules.

No changes have been notified in the period 1 October 2021 to 3 December 2021.

Fund Managers' Interests

James Henderson, Fund Manager, has a beneficial interest in 92.490 ordinary shares of the Company (2020: 92,490). Laura Foll, Fund Manager, has a beneficial interest in 5,114 ordinary shares of the Company (2020: 3,958).

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 38. 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

Report of the Directors (continued)

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 20 on page 73.

Annual General Meeting ('AGM')

The AGM will be held on Wednesday 26 January 2022 at 12.30 p.m. 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 held at the offices of Janus Henderson at 201 Bishopsgate, London EC2M 3AE. It will also be broadcast live on the internet. If you are unable to attend in person, you can watch the meeting by visiting **www.janushenderson.com/en-gb/investor/investment-trusts-live/.**

Corporate Governance

The Corporate Governance Statement set out on pages 40 to 45 forms part of the Report of the Directors.

Other Information

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

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.

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.

Approval

The Directors' Report has been approved by the Board.

Henderson Secretarial Services Limited
Corporate Secretary
8 December 2021

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.

Directors' Responsibility Statement

Each of the Directors, who are listed on pages 26 and 27, 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 return 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.

On behalf of the Board

Robert Robertson
Chairman
8 December 2021

The financial statements are published on the Company's website, **www.lowlandinvestment.com**.

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 28 January 2020. The Remuneration Policy has been reviewed to ensure that it meets the requirements of The Companies (Directors’ Remuneration Policy and Directors’ Remuneration Report) Regulations 2019. It is also available on the website: **www.lowlandinvestment.com**.

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 Wednesday 26 January 2022.

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 £39,000 for the Chairman, £30,500 for the Chairman of the Audit Committee and £25,500 for the remaining Directors.

The last fee increase took effect from 1 October 2019. During 2021, the Board carried out a review of Directors’ remuneration which included a comparative peer assessment of Directors’ fees together with external data. The Board reviewed the assessment and decided to increase the fees payable. The fees payable to the Chairman and to the Audit Committee Chairman were increased by £1,000 per annum each, and the fees payable to Directors were increased by £750 per annum each, all effective from 1 October 2021. Neither the Chairman nor the Audit Committee Chairman took any part in the discussion of their own remuneration. As a result, Directors fees are as follows from 1 October 2021: Chairman; £40,000 (2.6% increase): Audit Committee Chairman; £31,500 (3.3% increase): Directors; £26,250 (2.9% increase). No changes have been made to the way in which the policy will be implemented in the next financial year.

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 2021	1 October 2020
Beneficial:		
Robert Robertson	**59,225**	59,225
Duncan Budge	**9,779**	9,779
Gaynor Coley	**1,045**	500
Karl Sternberg	**9,629**	9,629
Helena Vinnicombe[1]	**1,000**	–
Thomas Walker	**1,600**	1,600
Non Beneficial:		
Robert Robertson	**12,000**	12,000

1 Appointed 1 May 2021

There have been no changes to any of the Directors’ holdings in the period 1 October 2021 to the date of this report.

Directors' Remuneration Report (continued)

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.

	2021	2020	2016	1 year change £	1 year change %	5 year change £	5 year change %
Total remuneration paid to Directors[1]	**156,648**	148,419	138,014	8,229	5.5	18,634	13.5
Ordinary dividends paid during the year	**16,211,139**	16,211,139	11,605,369	–	–	4,605,800	39.7

1. Remuneration will fluctuate due to the number of Directors in any one year

Directors' Fees and Expenses (audited)

The remuneration paid to the Directors who served during the years ended 30 September 2021 and 30 September 2020 was as follows:

	Year ended 30 September 2021 Total salary and fees £	Year ended 30 September 2020 Total salary and fees £	**Year ended 30 September 2021 Taxable benefits £**	Year ended 30 September 2020 Taxable benefits £	**Year ended 30 September 2021 Total £**	Year ended 30 September 2020 Total £
Robert Robertson[1]	39,000	39,000	–	–	39,000	39,000
Duncan Budge	25,500	25,500	–	–	25,500	25,500
Gaynor Coley[2]	30,500	30,500	–	1,387	30,500	31,887
Karl Sternberg	25,500	25,500	–	–	25,500	25,500
Helena Vinnicombe[3]	10,648	–	–	–	10,648	–
Tom Walker	25,500	25,500	–	1,032	25,500	26,532
Total	**156,648**	**146,000**	**–**	**2,419**	**156,648**	**148,419**

HMRC view certain expenses incurred by Directors (primarily travel to/from Board meetings) as a taxable benefit. The Board decided that with effect from the 2019/2020 tax year onward, Directors' expenses in relation to travel to/from Board meetings should 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. Chairman and highest-paid Director
2. Chairman of the Audit Committee
3. Appointed on 1 May 2021

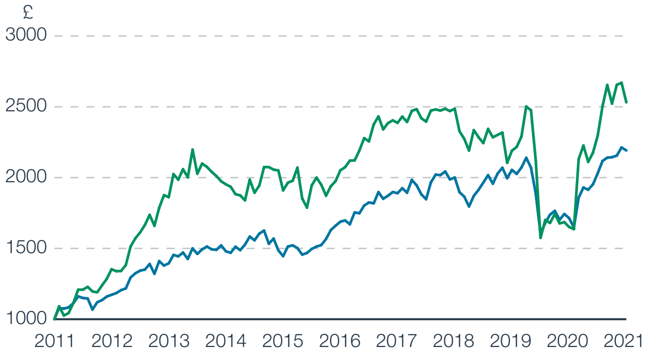
The fees paid to the Directors during the year were: Chairman £39,000, Audit Committee Chairman £30,500 and Directors £25,500.

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.

Directors' Remuneration Report (continued)

Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten-year period ended 30 September 2021 with the return from the FTSE All-Share Index Total Return over the same period.



Source: Refinitiv Datastream

Lowland Investment Company plc share price total return, assuming the investment of £1000 on 30 September 2011 and the reinvestment of all dividends (excluding dealing expenses)

FTSE All-Share Index Total Return, assuming the notional investment of £1000 on 30 September 2011 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 28 January 2020. The votes cast by proxy were as follows:

	% of votes cast
For	98.65
Against	0.43
At the Chairman's discretion	0.92
Votes withheld	16,502

A non-binding ordinary resolution adopting the Directors' Remuneration Report for the year ended 30 September 2020 was approved by shareholders at the AGM held on 27 January 2021. The votes cast by proxy were as follows:

	% of votes cast
For	99.36
Against	0.36
Discretionary	0.28
Votes withheld	54,105

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

On behalf of the Board

Robert Robertson
Chairman
8 December 2021

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 it, as an issuer is subject. The UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council ('FRC') in July 2018 is applicable, along with the related Code of Corporate Governance issued by the AIC (the 'AIC Code') in February 2019 (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, 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 and the UK Code can be found on the respective organisations' websites: **www.theaic.co.uk** and **www.frc.org.uk**.

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 explained in the AIC Code, the Board considers these provisions are not relevant to 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 but the need for such an appointment is reviewed every year.

The Board

As at the date of this report, the Board comprises five non-executive Directors. During the year, there were six non-executive directors, five of whom were in office throughout the period under review, and one of whom was appointed during the year. Biographical details for each Director are set out on pages 26 and 27.

Responsibilities of the Board

Board leadership and purpose

The Board is collectively responsible for the success of the Company. Its role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board is responsible for setting the Company's standards and values and for ensuring that its obligations to its shareholders and others are understood and met. The Board sets the Company's strategic aims, subject to the Company's articles of association, and to such approval by shareholders in general meeting as may be required from time to time, and ensures that the necessary resources are in place to enable the Company's objectives to be met. Information relating to the Company's purpose, values and culture can be found on page 22.

The Chairman, Robert Robertson, is responsible for leading the Board and ensuring that it addresses all aspects of its role, promoting a culture of openness, challenge and robust debate. Robert leads the Board's relationship and engagement with the Manager, shareholders and other stakeholders.

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 Depositary and, separately, the Custodian), the day-to-day accounting, company secretarial, administration and registration services.

Corporate Governance Statement (continued)

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 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 as set out on the chart on the following page. 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 reports it receives 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 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 met with representatives of the Manager's risk team to discuss internal controls and risk management. The discussion included a detailed overview of the manager's internal controls report and went on to provide a summary of the HSBC Bank, BNP Paribas Securities Services and Computershare Investor Services (the Company's other main third-party service providers) internal controls reports that had also been reviewed by the Manager's risk team. The assurance report for one of the Company's service providers was qualified by the respective service auditor. The Audit Committee reviewed the instances giving rise to the qualification and received confirmation that appropriate action to address the issues identified in the report was being taken. The exceptions identified had no impact on the Company.

The Board has reviewed the effectiveness of the Company's system of internal controls for the year ended 30 September 2021. 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)

System of Internal Controls

How the system of internal control operates

The Board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities. All are considered key stakeholders.

The Company's principal third-party service providers are the Manager (Janus Henderson); the Depositary/Custodian (HSBC Bank plc) and the accountants (BNP Paribas Securities Services).

In respect of its principal providers, the Board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of the annual assurance reports from each organisation. This reporting is supplemented by the view of the Manager's Risk Team regarding the control environments in operation at the providers.

The Company's secondary service providers report regularly to the Board. A failing in their services is deemed to have a minimal impact on the Company's value and therefore less stringent reporting is required.

The Management Engagement Committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The Audit Committee evaluates the performance of the Auditors on completion of each audit cycle.

Ernst & Young LLP
(Independent Auditors)

Board of Directors
(comprised entirely of non-executive Directors)

Principal third-party service providers

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the Manager's Risk Team;
- receive reporting from the Manager's Internal Audit Team on areas relevant to investment trusts; and
- formally evaluate performance on an annual basis.

Janus Henderson
(Investment management, company secretarial, sales, marketing, PR and administration)

Reporting
- Investment performance update (at each meeting)
- Compliance with investment limits and restrictions (monthly)
- Internal controls report (quarterly)
- Effectiveness of control environment (annually)

HSBC
(Depositary & Custodian)

Reporting
- Depositary report (quarterly)
- Presentation from the Depositary and Custodian (annually)
- Effectiveness of control environment (annually)

BNP Paribas
(Administration and Accounting services (engaged by the Manager))

Reporting
- Balance sheet
- Liquidity and gearing
- Revenue forecasts
- Portfolio valuation
- Portfolio transactions
- Effectiveness of control environment (annually)

Secondary third-party service providers

- receive regular reporting on their activities at meetings; and
- formally evaluate performance on an annual basis.

Computershare
(Registrar)

J. P. Morgan Cazenove
(Corporate Broker)

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 the 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. The Chairman should be deemed independent on appointment.

The UK Code and AIC Code recommend that all directors stand for election annually. All Directors will stand for re-election at the 2022 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.

The Board is anxious to ensure that each Director has sufficient time to devote to his or her duties, whether in normal times or in times of crisis. To this end, 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.

With regard to tenure, the Board has a succession plan, which is reviewed each year to ensure it remains appropriate, and which intends that one Director 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 which is the current intention.

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 2021, the Committee concluded that all Directors continued to be independent in character and judgement.

Two Directors who served during the year have served longer than nine years, the independence of each was considered as part of the Board evaluation. Following an extensive review of their contribution, time commitments and conduct, both have been considered independent. The Audit Chair conducted a review of the Chairman's performance and independence separately from the Board evaluation. The Chairman was also deemed independent on appointment.

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 attendance of each Director at scheduled meetings is set out in the table below:

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

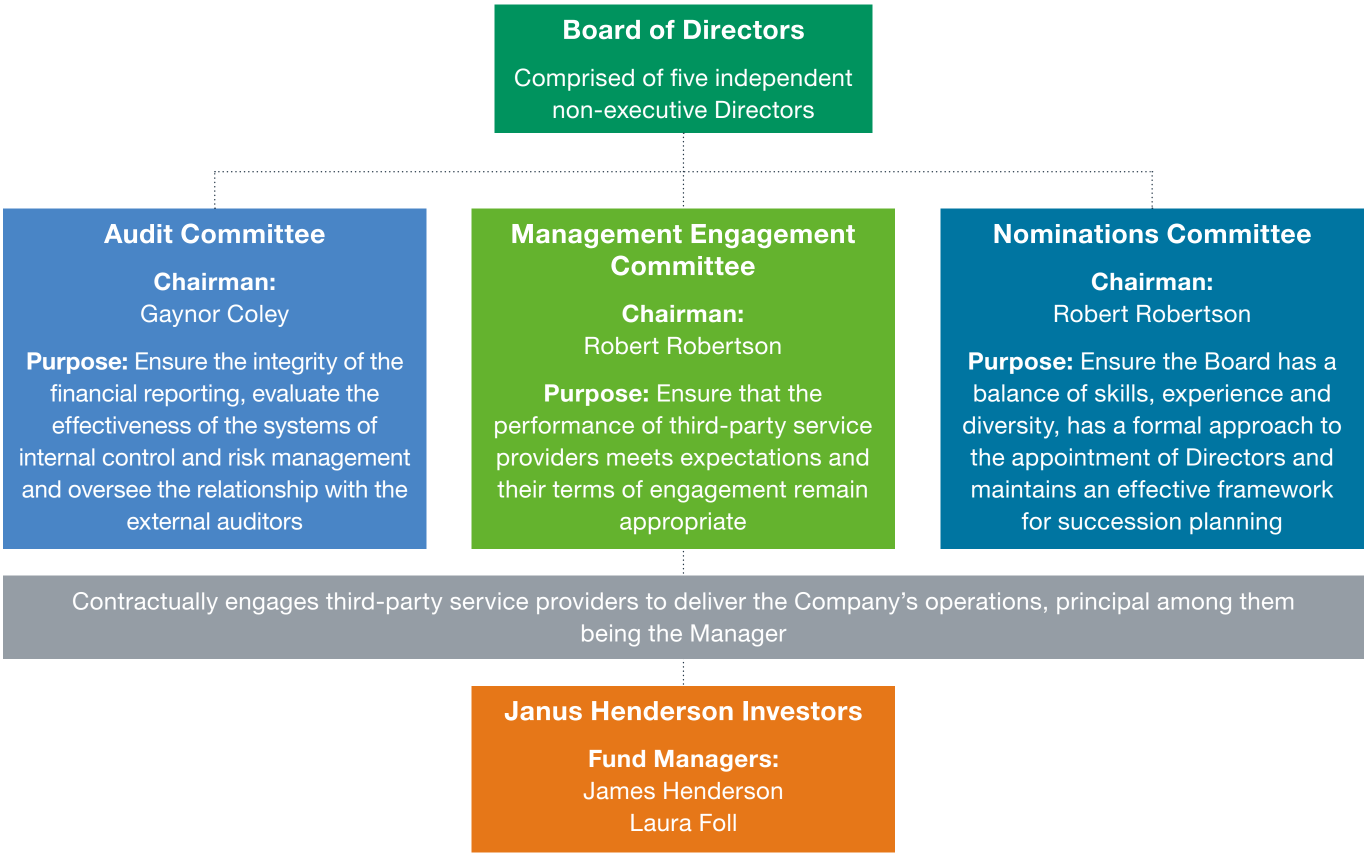
1. Mr Robertson is not a member of the Audit Committee but attends its meetings by invitation
2. Mr Sternberg was not a member of the Audit Committee but attended its meetings by invitation
3. Mrs Vinnicombe was appointed on 1 May 2021

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

Corporate Governance Statement (continued)

The Board's committees

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



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 and remained independent of the Manager.

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 until his resignation 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 46 to 48.

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:

Corporate Governance Statement (continued)

- The recruitment process for a new Director, including the selection of an appropriate recruitment agency, independent of both the Company and its Directors.
- 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;
- 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
- The performance and contribution of the Directors standing for re-election at the 2022 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 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-end competitors and other, similar sized investment trust companies;
- The key clauses of the investment management 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.

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 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.

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 Company's 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.

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 (until his resignation) 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 Fund Managers and the Manager's designated Financial Reporting Manager for the Company also attend meetings. Other representatives of the Manager and BNP Paribas Securities Services may also be invited to attend if deemed necessary by the Committee.

Roles and Responsibilities

The primary responsibilities of the Audit Committee are to ensure the integrity of the Company's financial reporting, including oversight of the preparation and audit of the annual financial statements; to monitor and review the effectiveness of the systems of internal control and risk management in place at the Manager and the Company's other third-party service providers; and to monitor the effectiveness and objectivity of the external Auditors and make recommendations to the Board regarding their appointment, re-appointment or removal.

The Audit Committee reports to the Board after each meeting and its responsibilities are set out in formal terms of reference which are reviewed at least annually.

In the year under review, the Committee considered the following matters:

Annual and half-year reports

- The appropriateness of the Company's accounting policies and of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.
- The areas of judgement in the financial statements, including the valuation of the Company's unquoted investments.
- The disclosures made in the reports in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board.

Independent Auditors

- The nature, scope and cost of the external audit and reviewing the Auditors' findings in this respect.
- The appointment and evaluation of the independence, effectiveness and objectivity of the Auditors.

Internal controls and management of risk

- The principal risks facing the Company, including consideration of emerging risks, the risk management systems in place and the Company's risk map.
- Reports on the effectiveness of the internal controls in place at Janus Henderson and the Company's other principal third-party service providers.
- The need for the Company to have its own internal audit function.
- The whistleblowing arrangements in place at the Manager and other key service providers for their staff to raise concerns, in confidence, about possible improprieties, including in relation to the Company.
- The Manager's policies in relation to information security and business continuity, meeting with representatives of Janus Henderson's internal audit and risk departments periodically.
- The Company's anti-bribery policy, approach to tax evasion and the confirmations received from third-party service providers as to whether they have appropriate procedures in place in these respects.
- The annual confirmation from the Company's Depositary in respect of the safe-keeping of the Company's assets.

Appointment and Tenure of the Auditors

As a Public Interest Entity listed on the London Stock Exchange, the Company is required 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 fifth 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

Report of the Audit Committee (continued)

considers the effectiveness of the audit process after each audit. This is the fifth year EY has audited the Company's Annual Report.

Audit Fees

The fees payable to the Auditor for audit services were £40,000 (2020: £35,000) (exclusive of VAT). Further detail can be found in note 6 on page 63.

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 (2020: none).

Audit Independence

The Committee monitors the Auditor's independence through three aspects of its work: the approval of a policy regulating the non-audit services that may be provided by the Auditor to the Company; assessing the appropriateness of the fees paid to the Auditor for all work undertaken by it; and by reviewing the information and assurances provided by the Auditor on its compliance with the relevant ethical standards. The Auditor provided no non-audit services during the year.

EY confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures, which are fully consistent with the FRC's Ethical Standards. Having considered the above-mentioned aspects, the performance and behaviour of the Auditor during the audit process and the assurances received from EY, the Committee is satisfied that auditor independence and objectivity are safeguarded. The current audit partner, Matthew Price, will serve until after the 2022 AGM at which point a new audit partner will be appointed.

Audit from the Year Ended 30 September 2021

In relation to the Annual Report for the year ended 30 September 2021 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 is 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 60.
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 61 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 1158/9 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.
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 that there were no qualifications from the service auditor's qualification in respect of the assurance report of Janus Henderson. 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.

Report of the Audit Committee (continued)

Effectiveness of the External Audit

The Committee's process for evaluating the effectiveness of the external audit comprises two components: consideration is given to the findings of the FRC's Audit Quality Inspection Report and a post-audit assessment is carried out led by the Committee Chairman.

The Auditor is able to present and discuss the findings of the latest Audit Quality Inspection Report and report on the progress made by the firm in addressing the areas identified for improvement in the prior year's report.

In assessing the effectiveness of the audit process, the Committee Chairman invites views from the Directors, the Fund Managers and other members of the Manager's staff in assessing the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting to the Committee. The Committee also met privately with the Audit Partner to discuss how the audit operated from his perspective.

Following completion of the assessment, the Committee remained satisfied with the effectiveness of the audit provided by EY and therefore recommended to the Board its continuing appointment. The Auditor has indicated its willingness to continue in office. Accordingly, resolutions reappointing EY as Auditor to the Company and authorising the Committee to determine its remuneration will be proposed at the upcoming Annual General Meeting.

Annual Report for the year ended 30 September 2021

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.

Gaynor Coley
Audit Committee Chairman
8 December 2021

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

Opinion

We have audited the financial statements of Lowland Investment Company plc (the 'Company') for the year ended 30 September 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, 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 2021 and of its profit 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. 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 listed 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 going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Company's going concern assessment process and engaged with the Directors and the Company Secretary to determine if all key factors that we have become aware of during our audit were considered in their assessment.
- We inspected the Directors' assessment of going concern, including the revenue forecast, for the period at least 12 months from the date the financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We have reviewed the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast and the liquidity assessment of the investments. We considered the appropriateness of the methods used to calculate the revenue forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- In relation to the Company's borrowing arrangements, we inspected the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants and performed reverse stress testing in order to identify what factors would lead to the Company breaching the debt covenants during the going concern period.
- We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to repay borrowings or to cover working capital requirements should revenue decline significantly.
- We reviewed the Company's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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

Overview of our audit approach

Key audit matters	• The risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Income Statement. • The risk of incorrect valuation or defective title to the investment portfolio including unlisted investments.
Materiality	• Overall materiality of £3.94m which represents 1% of Net Assets as at 30 September 2021.

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. All audit work was performed directly by the audit engagement team.

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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Income Statement. (as described on page 47 in the Report of the Audit Committee and as per the accounting policy set out on page 61). Investment income is received almost exclusively in the form of dividends from UK quoted equities. 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 of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or apply appropriate accounting treatment. Special dividends represent dividends paid by investee companies that are additional to the normal or expected dividend cycle for that company. In accordance with the Statement of Recommended Practice 'Financial Statement of Investment Trust Companies and Venture Capital Trusts' ('SORP'), special dividends can be included within either the revenue or capital columns of the Income Statement, depending on the commercial circumstances behind payments.	**We have performed the following procedures:** • We obtained an understanding of BNP Paribas Securities (the 'Administrator') and Janus Henderson's (the 'Manager') processes and controls surrounding revenue recognition and allocation of special dividends and performed a walkthrough to evaluate the design and effectiveness of controls. • We reviewed the income and capital reports to identify special dividends, above our testing threshold, that have been received and accrued during the period. • The Company received six special dividends (five classed as revenue and one classed as capital), during the year and there were no dividends that were individually above our testing threshold. We tested all six dividends and confirmed that the classification was consistent with the underlying nature of the payment. • We agreed a sample of dividends (including all of the special dividends) received from the income report to an independent pricing source, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount.	**The results of our procedures are:** We have no matters to communicate with respect to the procedures in response to the risk of incorrect or inaccurate income recognition, including incorrect 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)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
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'. As such, there is a manual and judgemental element in classifying special dividends between revenue and capital.	• For any dividends accrued, we reviewed the investee company announcements to assess whether the dividend obligations arose prior to 30 September 2021. • For all investments in the Company's valuation report, we checked to an independent source for any dividends (including special dividends) declared by those securities and agreed the recognition of such dividends to the income report. • To test for the risk of management override, we tested a sample of journal entries and other adjustments made in the preparation of the financial statements relating to special dividends.	
Incorrect valuation or defective title to the investment portfolio including unlisted investments (as described on page 47 in the Report of the Audit Committee and as per the accounting policy set out on page 60). The valuation of the portfolio at 30 September 2021 was £448.8m (2020: £320.5m) consisting primarily of listed equities. The Company holds a significant portfolio of quoted investments through the UK. Quoted investments are valued at the bid price or last trade price on the relevant date depending on the convention of the exchange on which the investments are listed. 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 investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.	**We performed the following procedures:** • We obtained an understanding the Administrator's process surrounding the investment pricing process by reviewing their internal control reports and by performing walkthrough procedures. • For all investments in the portfolio, we compared the market prices applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. • We compared the Company's investment holdings at 30 September 2021 to independent confirmations received directly from the Company's Custodian and Depository.	**The results of our procedures are:** We have no matters to communicate with respect to the procedures that we performed in response to the risk of incorrect valuation or defective title of the investment portfolio.

In the prior year, our auditor's report included a key audit matter in relation to the impact of COVID-19 on the Company and its operations. The impact of COVID-19 continued to be relevant to our audit of the Company and we considered its impact as part of our work on going concern which is set out in this report under our conclusions relating to going concern.

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.

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

We determined materiality for the Company to be £3.94m (2020: £2.78m), which is 1% (2020: 1%) of net assets as at 30 September 2021. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

During the course of our audit, we reassessed initial materiality and found no reason to alter the basis of calculation at year-end.

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% (2020: 75%) of our planning materiality, namely £2.96m (2020: £2.09m).

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold of £0.58m (2020: £0.57m) for the revenue column of the Income Statement being 5% of revenue profit before tax.

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 £0.20m (2020: £0.14m), 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 contained within the Annual Report.

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.

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 course of 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 themselves. 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.

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.

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 from branches not visited by us; 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

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

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 36;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 30;
- Directors' statement on fair, balanced and understandable set out on page 36;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 29-30;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 41; and;
- The section describing the work of the audit committee set out on pages 46-48.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 36, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and its management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Accounting Standards, the Companies Act 2006, the Listing Rules, UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and 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 by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through the incorrect classification of special dividends 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

- Following the recommendation from the audit committee, we were appointed by the Company on 24 January 2017 to audit the financial statements for the year-ended 30 September 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 30 September 2017 to 30 September 2021.
- 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.

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
8 December 2021

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 2021 Revenue return £'000	Year ended 30 September 2021 Capital return £'000	Year ended 30 September 2021 Total £'000	Year ended 30 September 2020 Revenue return £'000	Year ended 30 September 2020 Capital return £'000	Year ended 30 September 2020 Total £'000
2	Gains/(losses) on investments held at fair value through profit or loss	–	121,353	121,353	–	(98,742)	(98,742)
3	Income from investments	13,591	319	13,910	11,124	–	11,124
4	Other interest receivable and similar income	93	–	93	128	–	128
	Gross revenue and capital gains/(losses)	**13,684**	**121,672**	**135,356**	**11,252**	**(98,742)**	**(87,490)**
5	Management fee	(811)	(811)	(1,622)	(835)	(836)	(1,671)
6	Administrative expenses	(658)	–	(658)	(547)	–	(547)
	Net return/(loss) before finance costs and taxation	**12,215**	**120,861**	**133,076**	**9,870**	**(99,578)**	**(89,708)**
7	Finance costs	(584)	(585)	(1,169)	(594)	(593)	(1,187)
	Net return/(loss) before taxation	**11,631**	**120,276**	**131,907**	**9,276**	**(100,171)**	**(90,895)**
8	Taxation on net return	(93)	–	(93)	(144)	–	(144)
	Net return/(loss) after taxation	**11,538**	**120,276**	**131,814**	**9,132**	**(100,171)**	**(91,039)**
9	Return/(loss) per ordinary share – basic and diluted	42.7p	445.2p	487.9p	33.8p	(370.7p)	(336.9p)

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. 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 60 to 73 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 30 September 2021	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 2020	6,755	61,619	1,007	197,968	11,304	278,653
	Net return after taxation	–	–	–	120,276	11,538	131,814
10	Third interim dividend (15.0p) for the year ended 30 September 2020 paid 30 October 2020	–	–	–	–	(4,053)	(4,053)
10	Final dividend (15.0p) for the year ended 30 September 2020 paid 29 January 2021	–	–	–	–	(4,053)	(4,053)
10	First interim dividend (15.0p) for the year ended 30 September 2021 paid 30 April 2021	–	–	–	–	(4,053)	(4,053)
10	Second interim dividend (15.0p) for the year ended 30 September 2021 paid 30 July 2021	–	–	–	–	(4,053)	(4,053)
10	Return of unclaimed dividends	–	–	–	–	30	30
	At 30 September 2021	**6,755**	**61,619**	**1,007**	**318,244**	**6,660**	**394,285**

Notes	Year ended 30 September 2020	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 2019	6,755	61,619	1,007	298,139	18,384	385,904
	Net (loss)/return after taxation	–	–	–	(100,171)	9,132	(91,039)
10	Third interim dividend (15.0p) for the year ended 30 September 2019 paid 31 October 2019	–	–	–	–	(4,053)	(4,053)
10	Final dividend (15.0p) for the year ended 30 September 2019 paid 31 January 2020	–	–	–	–	(4,053)	(4,053)
10	First interim dividend (15.0p) for the year ended 30 September 2020 paid 30 April 2020	–	–	–	–	(4,053)	(4,053)
10	Second interim dividend (15.0p) for the year ended 30 September 2020 paid 31 July 2020	–	–	–	–	(4,053)	(4,053)
	At 30 September 2020	**6,755**	**61,619**	**1,007**	**197,968**	**11,304**	**278,653**

The notes on pages 60 to 73 form part of these financial statements

Statement of Financial Position

Notes		As at 30 September 2021 £'000	As at 30 September 2020 £'000
	Fixed assets		
11	**Investments held at fair value through profit or loss**		
	Listed at market value in the United Kingdom	355,306	256,935
	Listed at market value on AIM	74,696	48,425
	Listed at market value overseas	15,962	12,695
	Unlisted	2,868	2,495
		448,832	**320,550**
	Current assets		
12	Debtors	1,625	2,424
	Cash at bank	7,976	3,232
		9,601	**5,656**
13	**Creditors: amounts falling due within one year**	(34,357)	(17,772)
	Net current liabilities	**(24,756)**	**(12,116)**
	Total assets less current liabilities	**424,076**	**308,434**
13	**Creditors: amounts falling due after one year**	(29,791)	(29,781)
	Net assets	**394,285**	**278,653**
	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	318,244	197,968
	Revenue reserve	6,660	11,304
	Total shareholders' funds	**394,285**	**278,653**
17	**Net asset value per ordinary share – basic and diluted**	**1,459.3p**	**1,031.3p**

The financial statements on pages 56 to 70 were approved and authorised for issue by the Board of Directors on 8 December 2021 and signed on their behalf by:

Robert Robertson
Chairman

The notes on pages 60 to 73 form part of these financial statements

Statement of Cash Flows

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities		
Net return/(loss) before taxation	131,907	(90,895)
Add back: finance costs	1,169	1,187
Add: (gains)/losses on investments held at fair value through profit or loss	(121,353)	98,742
Withholding tax on dividends deducted at source	(96)	(177)
(Increase)/decrease in other debtors	(359)	814
Decrease in other creditors	(42)	(784)
Net cash inflow from operating activities	**11,226**	**8,887**
Cash flows from investing activities		
Purchase of investments	(72,746)	(53,045)
Sale of investments	66,553	67,917
Net cash (outflow)/inflow from investing activities	**(6,193)**	**14,872**
Cash flows from financing activities		
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(16,182)	(16,212)
Net loans drawn down/(repaid)	17,043	(5,109)
Interest paid	(1,132)	(1,207)
Net cash outflow from financing activities	**(271)**	**(22,528)**
Net increase in cash and cash equivalents	4,762	1,231
Cash and cash equivalents at start of year	3,232	2,008
Effect of foreign exchange rates	(18)	(7)
Cash and cash equivalents at end of year	**7,976**	**3,232**
Comprising:		
Cash at bank	7,976	3,232
	7,976	**3,232**

Cash inflow from dividends net of taxation was £13,445,000 (2020: £11,713,000)

The notes on pages 60 to 73 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 28.

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 October 2019.

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 Directors have considered the liquidity of the portfolio and concluded that the assets of the Company consist of securities that are readily realisable. They have also considered the impact of COVID-19, including cash flow forecasting, and a review of covenant compliance including the headroom above the most restrictive covenants. They have concluded that they are able to meet their financial obligations as they fall due for at least twelve months from the date of approval of these financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing 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)

1 Accounting Policies (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 'gains/(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 monthly 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. 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. Any performance fees payable would previously have been 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 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 loan 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)

1 Accounting Policies (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 Gains on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Gains/(losses) on the sale of investments based on historical cost	6,700	(2,753)
Less: revaluation losses recognised in previous years	(1,599)	(4,313)
Gains/(losses) on investments sold in the year based on carrying value at previous Statement of Financial Position date	**5,101**	**(7,066)**
Revaluation gains/(losses) on investments held at 30 September	116,270	(91,669)
Exchange losses	(18)	(7)
	121,353	**(98,742)**

3 Income from Investments

	2021 £'000	2020 £'000
UK dividends:		
Listed investments	11,954	9,493
Unlisted	34	49
Property income dividends	444	169
	12,432	**9,711**
Non UK dividends:		
Overseas dividend income	1,159	1,413
	1,159	**1,413**
	13,591	**11,124**

Notes to the Financial Statements (continued)

4 Other Interest Receivable and Similar Income

	2021 £'000	2020 £'000
Stock lending commission	89	121
Income from underwriting	4	5
Bank interest	–	2
	93	**128**

At 30 September 2021 the total value of securities on loan by the Company for stock lending purposes was £20,721,000 (2020: £21,774,000). The maximum aggregate value of securities on loan at any time during the year ended 30 September 2021 was £54,999,000 (2020: £74,214,000). The Company's agent holds collateral comprising FTSE 100 stocks, gilts, overseas equities and overseas government bonds with a collateral value of £21,878,000 (2020: £22,937,000) amounting to a minimum of 106% (2020: minimum 105%) of the market value of any securities on loan. Stock lending commission has been shown net of brokerage fees of £22,000 (2020: £30,000).

5 Management and Performance Fees

	2021			2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	811	811	1,622	835	836	1,671
	811	**811**	**1,622**	**835**	**836**	**1,671**

A description of the basis for calculating the management fee is given in the Strategic Report on page 25. With effect from 1 October 2020 the performance fee has been removed. For the year ended 30 September 2020, a performance fee of £nil was payable.

6 Administrative Expenses

	2021 £'000	2020 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 38)[1]	157	148
Auditor's remuneration – for audit services	40	35
AIC subscriptions	19	21
Directors' and Officers' liability insurance	8	8
Listing fees (Stock Exchange, newspapers and internet)	34	36
Safe custody and bank charges	21	20
Loan facility fees	132	67
Printing and postage	18	17
Registrar's fees	19	19
General expenses and marketing expenses payable to Janus Henderson	79	64
Depositary fees	31	31
Other expenses	55	40
Irrecoverable VAT	45	41
	658	**547**

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

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
On bank loans and overdrafts repayable within one year	107	107	214	121	120	241
On senior unsecured notes	477	478	955	473	473	946
	584	**585**	**1,169**	**594**	**593**	**1,187**

The allocation between revenue return and capital return is explained in note 1(f) on page 61.

8 Taxation on Net Return

Analysis of tax charge for the year

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000
Overseas tax suffered	103	–	103	184	–	184
Overseas tax reclaimable	(10)	–	(10)	(40)	–	(40)
Total taxation for the year	**93**	**–**	**93**	**144**	**–**	**144**

Factors affecting the tax charge for the year

	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000
Net return/(loss) before taxation	11,631	120,276	131,907	9,276	(100,171)	(90,895)
Corporation tax at standard rate of 19%[1]	2,210	22,852	25,062	1,762	(19,032)	(17,270)
Effects of:						
Non-taxable UK dividends	(2,271)	–	(2,271)	(1,813)	–	(1,813)
Other non-taxable income	(214)	–	(214)	(268)	–	(268)
Overseas tax suffered	93	–	93	144	–	144
Excess management expenses	275	205	480	319	271	590
Currency losses	–	4	4	–	1	1
Non-taxable/deductible capital (gains)/losses	–	(23,061)	(23,061)	–	18,760	18,760
Total tax charge	**93**	**–**	**93**	**144**	**–**	**144**

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 can offset management fees, other administrative expenses and interest costs against taxable income to eliminate any tax charge on such income. The tax legislation refers to these as management expenses (management fees and other administrative expenses) and non-trade loan relationship deficits (interest costs) and these are captured together under the heading 'Excess management expenses' in the table above. Where these are not fully utilised, they can be carried forward to future years. As the Company is unlikely to generate future taxable profits to utilise these amounts, the Company cannot recognise an asset to reflect them, but must still disclose the deferred tax amount carried forward arising from any unutilised amounts. Consequently, the Company has not recognised a deferred tax asset totalling £15,768,000 (2020: £11,504,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits totalling £63,072,000 (2020: £60,547,000), and based on a prospective tax rate of 25% (2020: 19%).

Notes to the Financial Statements (continued)

9 Return per Ordinary Share – Basic and Diluted

The return/(loss) per ordinary share is based on the net return attributable to the ordinary shares of £131,814,000 (2020: net loss of £91,039,000) and on 27,018,565 ordinary shares (2020: 27,018,565) being the weighted average number of ordinary shares in issue during the year. The return/(loss) per ordinary share can be further analysed between revenue and capital, as below.

	2021 £'000	2020 £'000
Net revenue return	11,538	9,132
Net capital return/(loss)	120,276	(100,171)
Net total return/(loss)	**131,814**	**(91,039)**
Weighted average number of ordinary shares in issue during the year	**27,018,565**	**27,018,565**

	2021 Pence	2020 Pence
Revenue return per ordinary share	42.7	33.8
Capital return/(loss) per ordinary share	445.2	(370.7)
Total return/(loss) per ordinary share	**487.9**	**(336.9)**

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	2021 £'000	2020 £'000
Third interim dividend (15.0p) for the year ended 30 September 2019	4 October 2019	31 October 2019	–	4,053
Final dividend (15.0p) for the year ended 30 September 2019	3 January 2020	31 January 2020	–	4,053
First interim dividend (15.0p) for the year ended 30 September 2020	3 April 2020	30 April 2020	–	4,053
Second interim dividend (15.0p) for the year ended 30 September 2020	3 July 2020	31 July 2020	–	4,053
Third interim dividend (15.0p) for the year ended 30 September 2020	2 October 2020	30 October 2020	4,053	–
Final dividend (15.0p) for the year ended 30 September 2020	29 December 2020	29 January 2021	4,053	–
First interim dividend (15.0p) for the year ended 30 September 2021	6 April 2021	30 April 2021	4,053	–
Second interim dividend (15.0p) for the year ended 30 September 2021	2 July 2021	30 July 2021	4,053	–
Return of unclaimed dividends			(30)	–
			16,182	**16,212**

The third interim dividend and the final dividend for the year ended 30 September 2021 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.

	2021 £'000
Revenue available for distribution by way of dividends for the year	11,538
First interim dividend (15.0p) for the year ended 30 September 2021	(4,053)
Second interim dividend (15.0p) for the year ended 30 September 2021	(4,053)
Third interim dividend (15.0p) for the year ended 30 September 2021	(4,053)
Final dividend (15.25p) for the year ended 30 September 2021 (based on 27,018,565 ordinary shares in issue at 3 December 2021)	(4,120)
Return of unclaimed dividends	30
Transfer from reserves	**(4,711)**[1]

1. The residual will be transferred from the revenue reserve (£3,198,000) (2020: £7,080,000) and from the capital reserve (£1,513,000) (2020: £nil)

Notes to the Financial Statements (continued)

11 Investments held at Fair Value through Profit or Loss

	2021 £'000	2020 £'000
Cost at start of year	**388,158**	**406,813**
Investment holding (losses)/gains at start of year	(67,608)	28,374
Valuation at start of year	320,550	435,187
Analysis of transactions made during the year		
Additions at cost	72,303	53,509
Disposal proceeds received	(65,392)	(69,411)
Unrealised gains/(losses) on investments	114,671	(95,982)
Realised gains/(losses) on investments	6,700	(2,753)
Valuation at end of year	**448,832**	**320,550**
Cost at end of year	401,769	388,158
Investment holding gains/(losses) at end of year	47,063	(67,608)
Valuation at end of year	**448,832**	**320,550**

Included in the total investments are unlisted investments shown at the Directors fair value of £2,838,000 (2020: £2,495,000).

Purchase transaction costs for the year ended 30 September 2021 were £343,000 (2020: £229,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2021 were £27,000 (2020: £29,000).

The Company received £65,392,000 (2020: £69,411,000) from investments sold in the year. The book cost of these investments when they were purchased was £58,692,000 (2020: £72,164,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

As at 30 September 2021, the Company holds 3% or more of any class of capital in 10 investee companies (2020: 13). Within the 10, there were 3 whose valuation represented more than 1% of the value of the total investment portfolio held by the Company.

	2021 Valuation £'000	2021 % of voting rights	2020 Valuation £'000	2020 % of voting rights
K3 Capital	**9,276**	**3.6**	3,633	3.7
Epwin	**6,332**	**3.8**	3,872	3.9
Henderson Opportunities Trust	**5,540**	**5.1**	5,196	7.6

12 Debtors

	2021 £'000	2020 £'000
Prepayments and accrued income	1,082	723
Sales for future settlement	334	1,495
Taxation recoverable	209	206
	1,625	**2,424**

Notes to the Financial Statements (continued)

13 Creditors

Amounts falling due within one year

	2021 £'000	2020 £'000
Unsecured sterling bank loans	33,099	16,056
Purchases for future settlement	21	464
Other creditors	1,237	1,252
	34,357	**17,772**

The Company has a 2 year revolving loan facility of up to £40m with Industrial and Commercial Bank of China (London Branch). As at 30 September 2021 £33.1m (2020: £16.1m) of the facility was drawn down. The Company also has a conditional option to increase the facility by £20m. This facility is due to expire on 27 October 2022.

Amounts falling due after more than one year

	2021 £'000	2020 £'000
3.15% senior unsecured loan notes 2037	29,791	29,781
	29,791	**29,781**

On 5 January 2017 the Company issued £30m 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.

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 22. 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;
  - SAI Global 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.

Notes to the Financial Statements (continued)

14 Financial Risk Management Policies and Procedures (continued)

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 2021 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 58.

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 13 to 19. 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.

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% (2020: 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%

	2021		2020	
	If prices go up £'000	**If prices go down £'000**	If prices go up £'000	If prices go down £'000
Investments at year end	448,832	448,832	320,550	320,550
Impact on income statement:				
Revenue return	(179)	179	(256)	256
Capital return	89,587	(89,587)	64,110	(64,110)
Impact on net assets and total return (excluding gearing)	**89,408**	**(89,408)**	**63,854**	**(63,854)**

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 £12,389,000 (2020: £12,695,000) representing 2.8% (2020: 4.0%) 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.

Notes to the Financial Statements (continued)

14 Financial Risk Management Policies and Procedures (continued)

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.

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 (2020: 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 0.96% as at 30 September 2021 (2020: 0.98%). The loan agreement was amended on 1 October 2021 to change references to LIBOR to SONIA (the Sterling Overnight Index Average). The change to the interest applied will become effective on 1 January 2022.

The Company had fixed interest rate asset exposure at 30 September 2021 on the holding in Wadworth at £126,000 (2020: £126,000). 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 Industrial and Commercial Bank of China (London Branch). 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 £25,123,000 (2020: £12,824,000) 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 £502,000 (2020: £256,000).

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 (2020: £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 2021	Due within 1 year £'000	Due within 1-5 years £'000	Due after 5 years £'000
Bank loans[1]	33,148	–	–
Senior unsecured notes[2]	945	3,780	39,923
Other creditors	997	–	–
	35,090	**3,780**	**39,923**

Notes to the Financial Statements (continued)

14 Financial Risk Management Policies and Procedures (continued)

14.2 Liquidity Risk (continued)

At 30 September 2020	Due within 1 year £'000	Due within 1-5 years £'000	Due after 5 years £'000
Bank loans[1]	16,068	–	–
Senior unsecured notes[2]	945	3,780	40,868
Other creditors	1,483	–	–
	18,496	**3,780**	**40,868**

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 67

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.

	2021 £'000	2020 £'000
Fixed interest securities	126	126
Cash	7,976	3,232
Debtors:		
– prepayments and accrued income	1,048	686
– sales for future settlement	334	1,495
– taxation recoverable	209	206
	9,693	**5,745**

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 loan notes are carried in the Statement of Financial Position at amortised cost.

At 30 September 2021, the fair value of the senior unsecured loan notes was estimated to be £33,370,000 (2020: £36,624,000). The fair value of the senior unsecured loan 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:

Notes to the Financial Statements (continued)

14 Financial Risk Management Policies and Procedures (continued)

14.5 Fair Value Hierarchy Disclosures (continued)

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 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments	445,964	–	2,868	448,832
	445,964	**–**	**2,868**	**448,832**

Financial assets at fair value through profit or loss at 30 September 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	318,055	–	2,495	320,550
	318,055	**–**	**2,495**	**320,550**

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

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

	2021 £'000	2020 £'000
Opening balance	2,495	2,422
Total gain included in the Income Statement		
– on investments held	373	73
Closing balance	**2,868**	**2,495**

The Company's holdings in Oxford Sciences and Wadworth were revalued upward during the year. 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 2021 comprises its equity share capital, reserves and loans that are shown in the Statement of Financial Position at a total of £457,175,000 (2020: £324,490,000).

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

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 to be 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.

Notes to the Financial Statements (continued)

15 Called Up Share Capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
At 30 September 2020	27,018,565	27,018,565	6,755
At 30 September 2021	**27,018,565**	**27,018,565**	**6,755**

During the year, the Company issued no ordinary shares (2020: nil).

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 2020	(67,607)	265,575	197,968
Transfer on disposal of investments	(1,599)	1,599	–
Net gains on investments	116,270	5,101	121,371
Income allocated to capital	–	319	319
Expenses and finance costs allocated to capital	–	(1,396)	(1,396)
Exchange differences	–	(18)	(18)
At 30 September 2021	**47,064**	**271,180**	**318,244**

The capital reserve arising on revaluation of investments held at 30 September 2021 includes a gain of £678,000 (2020: £305,000) based on historical book cost, in respect of the revaluation of unlisted investments. The income allocated to capital relates to an enhanced scrip dividend received above the value of the cash dividend.

	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves total £'000
At 1 October 2019	28,375	269,764	298,139
Transfer on disposal of investments	(4,313)	4,313	–
Net losses on investments	(91,669)	(7,066)	(98,735)
Expenses and finance costs allocated to capital	–	(1,429)	(1,429)
Exchange differences	–	(7)	(7)
At 30 September 2020	**(67,607)**	**265,575**	**197,968**

17 Net Asset Value per Ordinary Share

The net asset value per ordinary share of 1,459.3p (2020: 1,031.3p) is based on the net assets attributable to the ordinary shares of £394,285,000 (2020: £278,653,000) and on 27,018,565 (2020: 27,018,565) shares in issue on 30 September 2021.

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

	2021 £'000	2020 £'000
Total net assets at start of year	278,653	385,904
Total net return/(loss) after taxation	131,814	(91,039)
Net dividends paid in the year	(16,182)	(16,212)
Net assets attributable to the ordinary shares at 30 September	**394,285**	**278,653**

Notes to the Financial Statements (continued)

18 Net Debt Reconciliation

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt at 1 October 2020	3,232	(16,056)	(29,781)	(42,605)
Cash flows	4,762	(17,043)	–	(12,281)
Exchange movements	(18)	–	–	(18)
Non cash flow:				
Amortisation of issue costs	–	–	(10)	(10)
Net debt at 30 September 2021	**7,976**	**(33,099)**	**(29,791)**	**(54,914)**

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt at 1 October 2019	2,008	(21,165)	(29,779)	(48,936)
Cash flows	1,231	5,109	–	6,340
Exchange movements	(7)	–	–	(7)
Non cash flow:				
Amortisation of issue costs	–	–	(2)	(2)
Net debt at 30 September 2020	**3,232**	**(16,056)**	**(29,781)**	**(42,605)**

19 Capital Commitments and Contingent Liabilities

Capital Commitments

There were no capital commitments as at 30 September 2021 (2020: £nil).

Contingent Liabilities

There were no contingent liabilities as at 30 September 2021 (2020: £nil).

20 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 company 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 25. The total of the management fees paid or payable to Janus Henderson under this agreement in respect of the year ended 30 September 2021 was £1,622,000 (2020: £1,671,000). The amount outstanding at 30 September 2021 was £804,000 (2020: £806,000). The performance fee was removed in respect of the year ended 30 September 2021. The agreement made provision for a performance fee for the year ended 30 September 2020. No performance fee was earned or paid in that financial year.

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. The total amounts paid to Janus Henderson in respect of marketing for the year ended 30 September 2021 amounted to £79,000 (2020: £64,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 38 and in note 6 on page 63.

Securities Financing Transactions

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015. 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 2021 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 2021		
Market value of securities on loan £'000	% of lendable assets	% of assets under management
20,721	4.62	5.26

Concentration Data

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

Issuer	2021 Market value of collateral received £'000
US Treasury	2,933
Government of Japan	2,509
UK Treasury	1,264
Government of Germany	1,251
Government of France	943
Atlantia	803
Transurban	783
British Petroleum	783
AB InBev	775
Intesa Sanpaolo	660
	12,704

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

Counterparty	2021 Market value of securities on loan £'000
Barclays	7,822
BNP Paribas	7,389
Morgan Stanley	3,405
Bank of Nova Scotia	1,637
Credit Suisse	256
JP Morgan	197
Société Générale	15
	20,721

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 2021

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	EUR	Tri-party	HSBC	2,750
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	1,204
		Equity	Main Market Listing	JPY	Tri-party	HSBC	469
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	862
		Government Debt	Investment Grade	USD	Tri-party	HSBC	2,933
BNP Paribas	France	Equity	Main Market Listing	AUD	Tri-party	HSBC	1,379
		Equity	Main Market Listing	EUR	Tri-party	HSBC	4,846
		Equity	Main Market Listing	GBP	Tri-party	HSBC	1,206
		Equity	Main Market Listing	HKD	Tri-party	HSBC	343
		Equity	Main Market Listing	JPY	Tri-party	HSBC	29
		Equity	Main Market Listing	SGD	Tri-party	HSBC	30
Morgan Stanley	United States	Equity	Main Market Listing	AUD	Tri-party	HSBC	280
		Equity	Main Market Listing	EUR	Tri-party	HSBC	114
		Equity	Main Market Listing	HKD	Tri-party	HSBC	1,547
		Equity	Main Market Listing	JPY	Tri-party	HSBC	15
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	1,638
Bank of Nova Scotia	Canada	Equity	Main Market Listing	CAD	Tri-party	HSBC	780
		Equity	Main Market Listing	GBP	Tri-party	HSBC	516
		UK Gilts	Investment Grade	GBP	Tri-party	HSBC	60
		Equity	Main Market Listing	JPY	Tri-party	HSBC	34
		Government Debt	Investment Grade	JPY	Tri-party	HSBC	9
		Equity	Main Market Listing	USD	Tri-party	HSBC	337
Credit Suisse	Switzerland	Equity	Main Market Listing	EUR	Tri-party	HSBC	210
		Equity	Main Market Listing	GBP	Tri-party	HSBC	14
		Equity	Main Market Listing	HKD	Tri-party	HSBC	10
		Equity	Main Market Listing	NOK	Tri-party	HSBC	11
		Equity	Main Market Listing	SEK	Tri-party	HSBC	15
		Equity	Main Market Listing	USD	Tri-party	HSBC	11
JP Morgan	United States	Equity	Main Market Listing	AUD	Tri-party	HSBC	9
		Equity	Main Market Listing	CHF	Tri-party	HSBC	1
		Equity	Main Market Listing	EUR	Tri-party	HSBC	122
		Government Debt	Investment Grade	EUR	Tri-party	HSBC	1
		Equity	Main Market Listing	GBP	Tri-party	HSBC	23
		Equity	Main Market Listing	HKD	Tri-party	HSBC	21
		Equity	Main Market Listing	JPY	Tri-party	HSBC	20
		Equity	Main Market Listing	USD	Tri-party	HSBC	13
Société Générale	Switzerland	Equity	Main Market Listing	EUR	Tri-party	HSBC	8
		Equity	Main Market Listing	GBP	Tri-party	HSBC	8
							21,878

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
£111,000	£22,000	20%	£89,000	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 28) 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 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 Information 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 Information 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 28.

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 65).

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 fair value NAV	(Discount)/ premium to par value NAV
At 30 September 2021	**1,446.1p**	**1,459.3p**	**1,315.0p**	**(9.1%)**	**(9.9%)**
At 30 September 2020	1,006.0p	1,031.3p	914.0p	(9.2%)	(11.4%)

NAV with debt at par and fair value

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss (see note 11)	448,832	320,550
Current assets (see page 58)	9,601	5,656
Creditors amounts falling due within one year (see note 13)	(34,357)	(17,772)
Creditors amounts falling due after one year (see note 13)	(29,791)	(29,781)
NAV with debt at par (A)	**394,285**	**278,653**
Less: fair value of senior unsecured notes (see note 14.4)	(33,370)	(36,624)
Add back: amortised cost of senior unsecured notes	29,791	29,781
NAV with debt at fair value (B)	**390,706**	**271,810**
Ordinary shares in issue (see note 15) (C)	**27,018,565**	**27,018,565**
NAV per ordinary share with debt at par (see page 58) (A/C x 100) (p)	**1,459.3**	**1,031.3**
NAV per ordinary share with debt at fair value (B/C x 100) (p)	**1,446.1**	**1,006.0**

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 72 in note 17 within the notes to the financial statements.

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.

		2021	2020
Investments held at fair value through profit or loss (page 58) (£'000)	(A)	448,832	320,550
Net assets (page 58) (£'000)	(B)	394,285	278,653
Gearing (C = A/B – 1) (%)	(C)	13.8%	15.0%

Alternative Performance Measures (continued)

Ongoing Charge

The ongoing charge 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.

	2021 £'000	2020 £'000
Management fees (note 5)	1,622	1,671
Other administrative expenses (note 6)	658	547
Less: non-recurring expenses	(152)	(67)
Ongoing charges	**2,128**	**2,151**
Performance fee	n/a	–
Ongoing charge including performance fee	**2,128**	**2,151**
Average net assets[1]	**354,180**	**326,351**
Ongoing charge ratio	**0.60%**	**0.66%**
Ongoing charge ratio including performance fee	**n/a**	**0.66%**

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 65).

Total Return

The return on the share price or NAV with debt at fair 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 65.

	NAV per share	**Share price**
NAV/Share Price per ordinary share at 30 September 2020 (pence)	1,006.0	914.0
NAV/Share Price per ordinary share at 30 September 2021 (pence)	1,446.1	1,315.0
Change in the year (%)	43.7	43.9
Impact of dividends reinvested (%)	6.1	6.6
Total return for the year	**51.0**	**53.3**

Yield

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

		30 September 2021	30 September 2020
Annual dividend (pence)	(A)	60.25	60.0
Share price (pence)	(B)	1,315.0	914.0
Yield (C=A/B) (%)	(C)	4.6	6.6

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

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Global Intermediary Identification Number (GIIN): 2KBHLK.99999.SL826
Legal Entity Identifier (LEI): 2138008RHG5363FEHV19

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The Association of
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