Lowland Investment Company plc

Annual Report 2022

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]

2022
-14.8%

2021
51.0%

Benchmark Total Return[2]

2022
-4.0%

2021
27.9%

Growth in Dividend

2022
1.2%

2021
0.4%

Dividend for the Year[3]

2022
6.10p

2021
6.025p

	Year ended 30 September 2022	Year ended 30 September 2021
NAV per share at year end (debt at par)[4]	**115.9p**	145.9p
NAV per share at year end (debt at fair value)[4]	**118.1p**	144.6p
Share price at year end[5]	**104.5p**	131.5p
Market Capitalisation	**£282m**	£355m
Dividend per share	**6.10p**[3]	6.025p
Ongoing Charge	**0.6%**	0.6%
Dividend Yield[6]	**5.8%**	4.6%
Gearing at year end	**12.5%**	13.8%
Discount at year end[7]	**11.5%**	9.1%
AIC UK Equity Income Sector – Average Discount	**3.9%**	3.9%

Comparative figures for 2021 have been restated to reflect the ten for one share split which took place on 7 February 2022.

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 1.525p per ordinary share for the year ended 30 September 2022 that will be put to shareholders for approval at the Annual General Meeting on Wednesday 25 January 2023
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. Based on dividends paid and payable in respect of the financial year and the share price at year end
7. Calculated using year end fair value NAVs including current year revenue

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

A glossary of terms including Alternative Performance Measures is included on pages 81 to 83

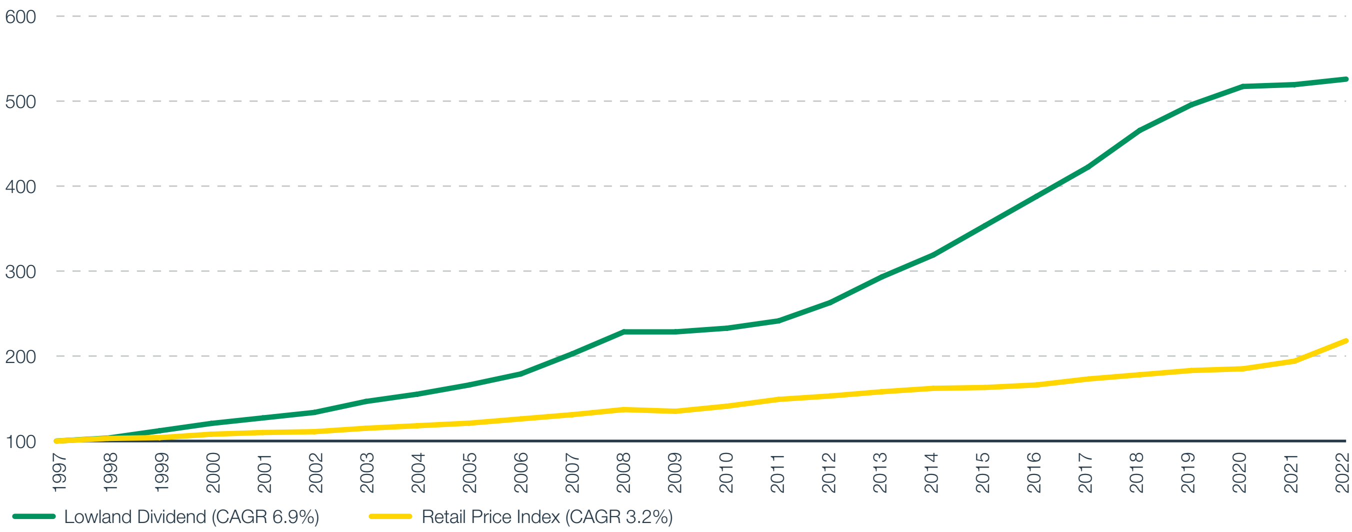
Strategic Report: Historical Performance[1]

Performance

	1 year %	3 years %	5 years %	10 years %	25 years %
Net asset value	-14.8	-3.3	-10.0	68.1	572.1
Share price	-16.4	-3.3	-11.3	56.5	679.3
FTSE All-Share	-4.0	2.4	11.3	79.5	252.1

Source: Morningstar Direct

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 1997 = 100)
Source: Janus Henderson

Historical Performance

Year ended 30 September	Dividend per ordinary share in pence[1]	Total return/(loss) per ordinary share in pence[1]	Net revenue return per ordinary share in pence[1]	Total net assets in £'000	Net asset value per ordinary share in pence[1]	Share price per ordinary share in pence[1]
2012	3.050	22.99	3.11	266,401	100.8	99.2
2013	3.400	33.01	3.67	347,202	130.7	132.5
2014	3.700	7.33	3.94	361,856	134.6	135.5
2015	4.100	1.18	4.64	354,563	131.8	128.7
2016	4.500	15.64	4.77	386,910	143.2	133.7
2017	4.900	24.32	4.91	439,896	162.8	150.4
2018	5.400	4.74	5.86	438,934	162.5	151.5
2019	5.950	(13.87)	6.80	385,904	142.8	128.0
2020	6.000	(33.69)	3.38	278,653	103.1	91.4
2021	6.025	48.79	4.27	394,285	145.9	131.5
2022	**6.100[2]**	**(24.00)**	**6.10**	**313,036**	**115.9**	**104.5**

1. Comparative numbers for 2012 to 2021 have been restated to reflect the ten for one share split which took place on 7 February 2022
2. Includes the final dividend of 1.525p per ordinary share for the year ended 30 September 2022 that will be put to shareholders for approval at the Annual General Meeting on Wednesday 25 January 2023

Chairman's Statement

Robert Robertson
Chairman

Strategic Report: Chairman's Statement

Performance

Progress on Lowland's twin objectives of capital and income growth contrasted markedly in the year ended 30 September. The highlight of Lowland's financial performance is unquestionably the recovery in earnings and with it the return to payment of a fully covered dividend. Your Company has maintained a progressive dividend policy since its inception more than 50 years ago. Since 2013 the policy has been progressive on a quarterly basis, meaning that each quarterly dividend has been equal to, or greater than, the dividend declared for the previous corresponding quarter.

Earnings per share increased by 43% to 6.10p, and, assuming shareholder approval of the final dividend, dividends paid will increase very modestly from 6.025p to 6.10p. Dividend yield amounts to a historically very high 5.8%. There is satisfaction to be had that the dividend policy survived Brexit, COVID and, so far at least, war in the Ukraine. We feel that the income side of the Company's objective has been satisfactorily served.

The other half of our objective, capital growth, has been contrastingly disappointing. While capital growth over the very long term has been good, in the last ten years, our Net Asset Value ('NAV') has underperformed the benchmark, being the FTSE All-Share Index. In the year just ended our NAV declined by 14.8%, compared with a decline of 4.0% in the benchmark.

Your Board is of the view that it is generally paramount to stick to an investment approach and it is almost inevitable, in the prevailing markets, that a determinedly multi-cap trust should under-perform an index with a pronounced large cap bias. Nevertheless, when faced with a prolonged period of disappointing performance, our approach has been firstly to examine whether changes in the world have rendered our investment philosophy obsolete. The second examination is to question why this approach has resulted in underperformance, and the final step is to look at whether execution of the policy has been poor and has exacerbated the fact that policy has faced major headwinds.

The Fund Managers explain why, over the long term, they believe opportunities at the lower end of the market cap spectrum are superior, and these are well rehearsed by commentators in the investment community. The Fund Managers and your Board are of the view that there is unrecognised value in the mid and small-cap areas of the UK market. We therefore conclude that investing on a multi-cap, mildly contrarian basis, with a UK bias, is not an obsolete approach.

Lowland's investment policy stipulates that in normal circumstances, up to half the portfolio will be invested in FTSE 100 companies. Generally, exposure to large companies has been materially below 50%, with about a third being invested in this area five years ago. In anticipation of the rough waters smaller companies were likely to face, exposure to the larger end of the market has been increased over the last few years and this increase has lessened the underperformance. Nevertheless, the multi-cap approach is the predominant reason for our underperformance against the FTSE All-Share benchmark.

At the end of the year under review Lowland had 47.8% of NAV invested in FTSE 100 constituent companies, compared with 83.3% in the index. Investment in the next layer down, FTSE 250 companies, was approximately in line with the index at 15.9%. Inasmuch as Lowland is underweight the higher end of the market, so it is overweight the lower end, with FTSE SmallCap and AIM companies comprising 28.9% compared with an immaterial 2.7% in the index. This is the territory which has historically given Lowland significant outperformance.

There are a host of factors which have combined to render this part of the UK market out of favour. That it is out of favour is clearly demonstrated by the historic PE of 8.7 times on the aggregate portfolio, compared with a historic average of 12.7 times. Reasons for this include:

- The revenue of companies of this size is far more weighted to the UK than in the case of larger companies, as demonstrated by the 51% domestic sales exposure for the Lowland portfolio against 23% for the FTSE All-Share.
- The UK market as a whole is trading at a significant discount to other developed equity markets (for example, UK equities were trading at a near 40% discount to the MSCI World Index). The UK's near pariah status has pertained since before Brexit, and has been confirmed by a succession of 'events', the most recent being what can fairly be characterised as political chaos.
- The best performers on the UK market have been broadly among the twenty largest companies, often in commodities businesses which have benefitted from the consequences of Putin's war.
- In times of nervousness smaller companies are often perceived to be inherently risky and sold off indiscriminately.

The Board monitors Lowland's performance against that of a composite index, being 50% FTSE All-Share/50% Numis Smaller Companies ex Investment Trusts, which is more representative of the universe in which we invest. This index declined by 16.2% during the period, Lowland outperforming it by 1.4%, representing the effect of our positive stock selection in AIM constituent companies.

Share split

Following approval at the AGM, our shares underwent a ten for one share split. We hope that investors will find this more convenient, particularly those who invest relatively small amounts on a regular basis.

Dividends

A final dividend of 1.525p is proposed. Assuming this is approved, total dividends for the year will amount to 6.10p compared with last year's 6.025p, all numbers adjusted for the share split.

Strategic Report: Chairman's Statement (continued)

Gearing

The ability to gear the portfolio is a key advantage of an investment trust. The Board is cautious in moving levels of gearing, being of the view that timing major movements is difficult to get right. Lowland has a mixture of medium-term facilities – up to £40m – and long-term notes, amounting to £30m at a rate of 3.15% maturing in 2037. We believe this balance will serve us well over the long term.

At the year end net gearing amounted to £38.9m (12.5%) compared with £54.9m (13.8%) at the start of the year. Gearing levels were fairly steady during the year.

Ongoing charges

Ongoing Charges amounted to 0.6% which is in line with last year and which we feel to be competitive.

Discount

The Company's shares have traded at a discount of between 7.4% and 13%, ending the year at 11.5%. The policy with regard to discount is set out on page 33.

The Board

As previously notified to you, Karl Sternberg resigned on 8 December 2021. There were no other changes to the Board during the year. We intend to begin the process of recruiting a new member in the next year. Our policy on board tenure and diversity is set out on page 34.

Contact

I am always keen to hear from shareholders. Please contact me with comments or questions on ITSecretariat@janushenderson.com.

AGM

The AGM will be held at the Janus Henderson office on 25 January 2023. Full details of the business to be conducted at the meeting are set out in the Notice accompanying this report. Laura Foll will be on maternity leave, so James Henderson will be making the usual presentation on his own. The Board and Fund Managers welcome the opportunity to hear from shareholders each year and we encourage as many as possible to attend.

Outlook

Three years ago, on the eve of COVID, we drew shareholders' attention to the fact that our shares had only offered a dividend yield of 4.6% once before, and that had been followed by a significant capital uplift. COVID clearly had its say. Absent something comparable, or another unpredictable catastrophe, the same logic holds at least as true, with our shares on a 5.8% yield.

Despite the UK and other developed economies being blighted by recession and high inflation, we see value in the areas in which we are invested. Investee companies do not generally see downturns in their prospects which would justify their low valuations. While some companies will be hit by unpleasant surprises, by and large we believe that earnings and dividend prospects are not properly priced into the market. It is therefore reasonable, in our view, to look to a recovery in UK valuations and a return to dividend growth. As to dividends, we have successfully maintained the quarterly progressive dividend policy. The challenge now will be to generate dividend growth that mitigates, at least to some extent, the corrosive effect of high inflation.

We are pleased to report that since the financial year end, the Company's NAV and share price have recovered somewhat, rising 10.5% and 12.4% respectively. Over the same time period, the FTSE All-Share Index rose 9.0%. Medium-sized companies have led this recovery, with the FTSE 250 gaining 10.3% compared to a rise in the FTSE 100 of 8.9%. This modest outperformance of medium-sized companies is yet to filter down to smaller companies, with the FTSE AIM All-Share index up 3.9% and FTSE SmallCap up 5.6%. Smaller company share prices often react with a lag. We are encouraged to see signs of improving sentiment in the mid-cap area, and hopeful that this will permeate down to small-caps.

Robert Robertson
Chairman
12 December 2022

Fund Managers' Report

James Henderson
Fund Manager

Laura Foll
Fund Manager

Strategic Report: Fund Managers' Report

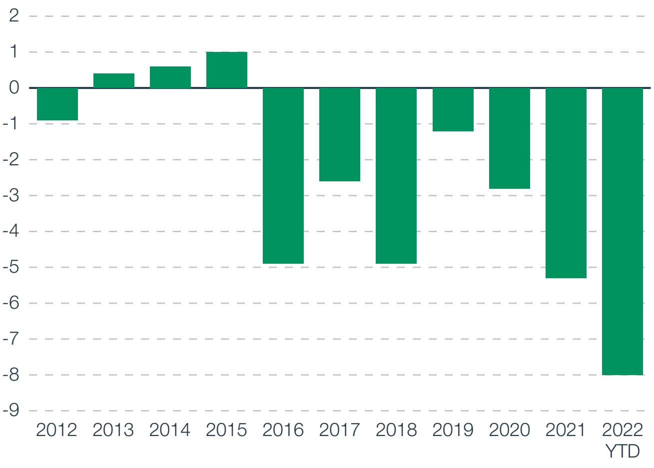
Background

It has been a very difficult year for Lowland with the Company underperforming the benchmark and falling in absolute terms, as shown in the table below.

	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Lowland NAV	-14.8	-3.3	-10.0	68.1
Lowland Share Price	-16.4	-3.3	-11.3	56.5
FTSE All-Share	-4.0	2.4	11.3	79.5

This is the result of the Company's strategic long-term position, namely a bias to higher yielding shares and smaller companies. This bias gives the Company a preference for UK based businesses and it is these that have seen their value fall more than companies operating overseas. The reason for this must be that investors believe that many UK based companies will perform relatively poorly in the coming years. The selling of UK companies by investors has been pronounced during the year, as can be seen in the chart below. This follows several years of outflows since Brexit, leaving investor weightings in the area low versus where they have been historically.

Annual UK equities flows (£bn)



Source: Numis Securities Research

The reasons for the concerns about the earnings outlook for UK companies include the issues over Brexit, the supply disruptions surrounding COVID and the fallout from the war in Ukraine. These general concerns became mixed in with a cost-of-living crisis and political turmoil which called into question the government's economic competence. However, through all this, many of the companies held in the portfolio were doing what they do and doing it well. This is to supply goods and services of a high standard for which they are rewarded through obtaining reasonable operating margins. This can be evidenced by strong cash flows and dividends. The result of this is that Lowland's earnings have recovered and now cover the modestly growing dividend.

Performance attribution for the financial year

Against a backdrop of slowing economic growth and rising commodity prices, the best performing sectors in the FTSE All-Share were those with earnings positively exposed to higher commodity prices (energy and basic materials) or sectors less exposed to the broader economic cycle (such as healthcare, utilities and consumer staples). In contrast the worst performing sectors included consumer discretionary, where stocks such as retailers fell materially as a result of pressure on household real disposable income. The industrials sector was also a poor performer as a result of concerns that input costs were rising at a time when the order backdrop may weaken (although on the latter concern there is currently little evidence). For Lowland, there was a clear trend of cyclical sectors detracting from relative performance. The largest detractor at the sector level from relative performance was industrials, followed by financials and consumer discretionary.

This sector backdrop had a marked impact on what size of company performed well. The FTSE 100 has a significantly higher weight in natural resources and defensive sectors than the FTSE 250 and below. This meant that the FTSE 100 generated a modest positive total return during the year while small and medium-sized company share prices fell substantially (see the final column of the table on the next page).

Lowland at the financial year end held a near 50% weight in the FTSE 100. While this is higher than its historic average weighting of approximately 1/3, this remained significantly below the benchmark weight in the FTSE 100 of over 80% (see the first and third columns of the table overleaf for weight comparisons). The Company's higher weighting in small and medium-sized companies was of severe detriment to the Company's relative performance during the year. On our estimates the size allocation of the portfolio drove the majority of the Company's underperformance relative to the benchmark, and within this it was specifically the underweight position in the FTSE 100 and overweight on AIM that were among main drivers of relative underperformance.

From the table on the next page it is worth noting that while the Company's holdings in FTSE 100 companies performed roughly in line with that index (comparing the second and fourth columns of the table overleaf), and encouragingly the Company's holdings within the AIM index outperformed, within the FTSE 250 and SmallCap indices the Company's holdings underperformed. Examining in more detail why this is the case, a number of the Company's most cyclical holdings fall within the 250 and SmallCap indices. Industrial holdings such as Morgan Advanced Materials, Hill & Smith and IMI, for example, sit within the 250 index and were underperformers during the year. Similarly, a number of the Company's financial and consumer discretionary holdings also sit within these indices (for example IP Group and Reach). We go into more details of the stock-specific drivers of performance below.

Strategic Report: Fund Managers' Report (continued)

	Lowland weighting (%)	Lowland total return (%)	FTSE All-Share weighting (%)	Index total return (%)
FTSE 100	47.8	0.3	83.3	0.9
FTSE 250	15.9	-32.0	14.0	-23.5
FTSE Small Cap	12.1	-32.2	2.7	-18.7
FTSE AIM All-Share	16.8	-19.1	N/A	-34.3

Weights for Lowland and FTSE All-Share shown as at financial year end. Note the weights for Lowland do not add up to 100 as there is a small % of the portfolio held overseas and in the FTSE Fledgling Index

Lowland has always been deliberately multi-cap in its approach, investing across all sizes of UK companies and as per its investment objective in 'normal circumstances' up to half the portfolio will be invested in FTSE 100 companies. The reason for this breadth in its investment universe is twofold. Firstly it brings exposure to faster growing smaller companies at an earlier stage of their lifecycle, and therefore with the potential for a longer pathway of earnings growth ahead of them. Secondly it diversifies the Company's source of income beyond the large FTSE 100 dividend payers. This approach has worked well for the Company over the very long term, however we must acknowledge that over the last five years the Company's performance has (on average) been disappointing. For the purposes of clarity we have kept the discussion in this section on the Company's one year performance – we go into the drivers of longer-term performance in the next section below.

At the stock level the impact of the concentration within the benchmark can be clearly seen, with a number of the largest detractors from relative performance being underweights in areas such as natural resources. Shell, for example, which was the Company's largest holding at year end and the largest contributor to absolute performance, was (despite this) the second largest detractor from relative performance (see second table below) as on average over the year it made up 5.6% of the benchmark compared to only 2.9% for Lowland. This demonstrates the difficulties in managing a multi-cap portfolio relative to a concentrated benchmark. If the circumstances are such (as they were this financial year) that the largest benchmark constituents perform very well, it is challenging for a broader, multi-cap fund to hold weights level with the index. This can act as a material detractor from relative returns.

While the different size allocation of the portfolio in comparison to the benchmark was the key determinant of relative performance this year, we have included below a brief summary of the main contributors and detractors from performance at the stock level.

The top ten contributors to relative returns were:

	Company Name	Contribution to relative return (%)	Share price total return (%)
1	Serica Energy	0.7	66.9
2	FBD Holdings	0.6	44.4
3	Aviva	0.5	5.7
4	H&T	0.4	56.9
5	Scottish Mortgage (not held)	0.3	(45.0)
6	Shoe Zone (no longer held)	0.3	157.9
7	Standard Chartered	0.3	32.4
8	Flutter Entertainment (not held)	0.3	(32.3)
9	Centrica (no longer held)	0.3	25.0
10	Euromoney Institutional Investor (no longer held)	0.3	44.5

In examining these best performers there are a number of themes that can be drawn out:

- Rising energy prices – the rise in the price of natural gas and subsequent rise in UK power prices drove earnings upgrades in **Serica Energy** and **Centrica**.
- Rising interest rates – global bank **Standard Chartered** performed well on the expectation that a rising interest rate environment will be positive for future lending margins.
- Returns to shareholders – Insurers **FBD** and **Aviva** performed well following material distributions to shareholders. In FBD's case they returned to paying ordinary dividends following a resolution to their COVID-19 business interruption claims, while Aviva returned one-off proceeds from business sales.
- Takeover activity – **Euromoney Institutional Investor** received a takeover approach from private equity. This has been a recurring theme in recent years given the valuation discount on the UK equity market relative to overseas.

The largest ten detractors from relative return were:

	Company Name	Contribution to relative return (%)	Share price total return (%)
1	Studio Retail	-1.0	–
2	Shell (underweight)	-0.9	40.9
3	Glencore (not held)	-0.9	45.2
4	British American Tobacco (not held)	-0.9	32.7
5	Reach	-0.9	(78.8)
6	Ilika	-0.8	(61.1)
7	AstraZeneca (underweight)	-0.8	13.7
8	IP Group	-0.6	(57.0)
9	Headlam Group	-0.6	(48.7)
10	Morgan Advanced Materials	-0.6	(35.1)

Strategic Report: Fund Managers' Report (continued)

Examining each of these largest detractors:

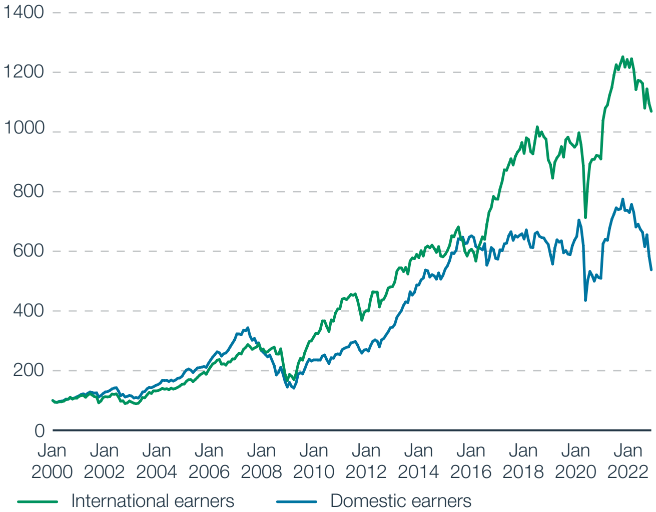
- **Studio Retail** was written down to zero in very disappointing circumstances. We discussed the reasons within the half year report, however to summarise, the company incurred supply chain disruption, which led to a working capital outflow and the company reaching the limits of its lending facilities.
- **Shell** and **Glencore** saw substantial earnings upgrades as a result of higher commodity prices.
- **British American Tobacco** and **AstraZeneca** rose due to their defensive qualities at a time of market uncertainty.
- **Reach** (formerly Trinity Mirror) fell materially from its highs due to rising costs of print as well as pressure on digital advertising yields following the Russia/Ukraine war.
- **Ilika** fell following lower than expected demand from industrial customers for its next generation battery technology. There was also a broader de-rating in the market of early stage, loss making businesses, which led to the share price fall in **IP Group** (which saw the share price of its key portfolio holding, Oxford Nanopore, fall substantially).
- **Headlam Group** (a flooring distributor) fell due to concerns that pressure on household real disposable income would impact people's willingness and ability to spend on new flooring.
- **Morgan Advanced Materials** (a specialist materials company serving end markets such as industrial, healthcare and semiconductors) fell due to concerns surrounding a slowdown in the global economy.

Addressing longer-term performance

Lowland has always had a multi-cap approach to seeking out capital and income opportunities in the UK, and over the very long term this approach has worked well for our shareholders – the 25 year NAV CAGR is 7.9% relative to a FTSE All-Share CAGR of 5.2%. This structural overweight in small and medium-sized companies brings with it an overweight to UK sales and earnings, as small and medium-sized companies are, on average, more exposed to their home market. This can be seen in the revenue breakdown of Lowland where, as at the year end, approximately 51% of portfolio sales were derived in the UK compared to only 23% for the benchmark.

This overweight position of Lowland in the UK has been challenging for relative performance at a time when domestic businesses have materially de-rated relative to international earners. As seen from the chart below, in the approximately 15 years leading up to Brexit, domestic and international earners performed roughly in line. In the six years since Brexit, however, the difference in relative performance has been over 50%, with international earners (seen in green below) materially outperforming.

UK Domestic vs International Earners



Source: Liberum as at 1 October 2022. Equal weighted index of stocks within FTSE 350 with >50% sales overseas (international earners) versus >50% sales in the UK (domestic earners)

This de-rating of domestic earners has led to many market leading, well managed businesses with conservative balance sheets trading on material valuation discounts to their history. This is visible at the portfolio level, where the table below shows that the portfolio is trading on an approximately 30% valuation discount to its long-term average.

	12m historic P/E as at 30 September 2022	10 year average 12m historic P/E
Lowland Portfolio	8.7x	12.7x

Source: Factset. Weighted harmonic average

Portfolio Activity

Returning our discussion to the current financial year, new purchases and additions focused predominantly on domestically exposed smaller companies.

A new position, for example, was established in UK pork and poultry producer **Cranswick**. Cranswick already has a dominant position in the UK pork market and has, in recent years, successfully moved into chicken with a state-of-the-art facility in Eye in Suffolk. The group has significant ambitions for further expansion in chicken and this provides the potential for a long pathway of future sales and earnings growth. In our view this is not reflected in its valuation (see table overleaf). Other new positions established during the year included building materials company **Marshalls**, which was first purchased in August after the shares had approximately halved this calendar year. Marshalls supply predominantly paving stones and roof tiles into the repair and maintenance market, new housing and infrastructure projects. The shares have fallen on the view that repair and maintenance spend will decline due to broader pressures on consumer spending. There is already some evidence of this with the company having to move earnings forecasts lower for the current financial year. It is our view, however, that infrastructure

Strategic Report: Fund Managers' Report (continued)

spending will prove more resilient and that the current share price already reflects significant weakness in consumer spending.

We also continued to add to existing positions including textile rental company **Johnson Service Group**, baked goods producer **Finsbury Food** and retailer **Kingfisher**. In order to demonstrate the scale of valuation opportunity we are seeing, the below table illustrates where valuations currently stand relative to history for these purchases.

Company name	12m historic P/E	5 year average P/E	Discount to 5 year average (%)
Cranswick	12.8	20.0	-36
Marshalls	9.8	25.9	-62
Johnson Service Group	15.5	19.4	-20
Finsbury Food	7.3	9.1	-20
Kingfisher	7.7	9.8	-22

Source: Refinitiv Datastream, as at 30 September 2022

These additions were funded through full sales of positions including housebuilder **Bellway** (sold in January on concerns that interest rate rises may pressure already stretched house valuations relative to average earnings), energy supplier **Centrica** (sold in September following good relative performance), **Euromoney Institutional Investor** (sold following the private equity takeover approach) and information services and analytics provider **Relx** (sold in May on valuation grounds following good relative performance).

Dividends

2022 saw a significant recovery in investment income, with the Company generating 6.10p in revenue earnings per share compared to 4.27p the previous year. It is encouraging to note that the Company has therefore returned to covering its dividend (which totalled 6.10p for the financial year) following two years of using historic reserves.

Among the key drivers of dividend growth in 2022 was the financial sector and in particular the domestic banks, all of which more than doubled their final dividends year on year. There was also a sizable special dividend received from Natwest, which returned a portion of their excess capital to shareholders.

A further driver of the dividend recovery was the return of some companies to the dividend list following the pandemic. We mentioned in last year's annual report that 17% of the portfolio did not pay a dividend in the 2021 financial year. The equivalent number for the current financial year was only 5% of the portfolio, with many previous zero dividend payers (such as BT, FBD, Irish Continental and Finsbury Food) returning to payments.

As we look ahead to the next financial year, while the earnings outlook has a higher than usual degree of uncertainty there are a number of factors that make us more optimistic when forecasting the path for investment income. For example the dividend payout ratio of the portfolio is currently 40%, which allows scope for companies to flex payout ratios upwards were earnings to decline. The average indebtedness of companies in the portfolio is also modest (the average ND/EBITDA was 1.8x at year end), meaning in our view the need for companies to reduce debt is not likely to force many companies to reduce or suspend dividends. Both of these factors (a low payout ratio and modest net debt) have come about because the current economic downturn has come shortly after COVID-19, when many companies reduced dividends to zero and raised equity. This meant balance sheets had in many cases been de-risked and dividend payout ratios had not yet recovered to their long-run average.

ESG

Our approach to environmental, social and governance (ESG) matters is laid out in more detail on pages 22 to 23 of this report. We hold the view that seeking better to understand how companies are managing material ESG factors and engaging with them is a route more conducive to long-term progress than sector exclusions. It continues to be our view that companies with good processes for managing ESG risk factors outperform. We have seen stock-specific evidence of this in the current year with the largest stock detractor, Studio Retail. Studio would not have flagged on quantitative metrics for governance issues (it was broadly run in-line with good governance practices). In hindsight, however, there had been recent senior management change and the Board did not have the sufficient depth of experience or relationship with institutional shareholders to arrange an emergency rights issue within the necessarily short time horizon. The lesson for us has been the importance of Board composition, most importantly the breadth of experience and a mixture of short and long tenures (so as to maintain both independence and in-depth knowledge of the company).

Outlook

Valuations of companies are guided by the cash flows they are expected to achieve over time. When expectations change, share prices will alter. The movement in the share price can then feed on itself – when a stock price falls, sentiment towards the company can deteriorate leading to a downward spiral of pessimism. This may be happening in the UK with the macroeconomic concerns drowning out an appraisal of individual companies' prospects, leading investors to question the strengths of even the best. The companies held in Lowland's portfolio are not a proxy for the UK economy but individual businesses that have management teams that will respond to the circumstances they are in. Downturns will create opportunities for the better ones to position themselves to prosper in the next upturn.

During this phase of despondency about the UK it is important to remember it is a place to find innovation, world leading companies and strong management teams.

Strategic Report: Fund Managers' Report (continued)

The portfolio holdings tap into these strengths. It is the many sound companies that operate in the UK that are the fundamental block from which the economy is built. It is their strengths that will be behind a recovery in the fortunes of the overall economy.

The companies with real strengths can be found across many different sectors, therefore the Company holds a relatively long and broadly based list of stocks. The diversification this brings in uncertain times is important for long term capital preservation and growth. Companies are dealing with changes in consumer behaviour and advances in technology. Some will not keep pace but the belief is many will prosper and grow. We believe there will be substantial share price appreciation when these strengths come to be more recognised.

James Henderson and Laura Foll
Fund Managers
12 December 2022

Strategic Report: Portfolio Analysis

Sector		United Kingdom %	Overseas %	**Total 30 September 2022 %**	FTSE All-Share Index 2022 %	Total 30 September 2021 %
Basic Materials	Chemicals	0.5	–	**0.5**	0.7	0.7
	Industrial Metals and Mining	4.6	–	**4.6**	7.2	4.2
	Precious Metals and Mining	–	–	**–**	0.3	–
		5.1	**–**	5.1	**8.2**	**4.9**
Consumer Discretionary	Consumer Services	–	–	**–**	1.5	–
	Household Goods and Home Construction	2.3	–	**2.3**	0.9	3.1
	Leisure Goods	–	–	**–**	0.1	–
	Media	1.3	–	**1.3**	3.2	4.4
	Personal Goods	–	–	**–**	0.5	–
	Retailers	3.6	–	**3.6**	1.3	4.1
	Travel And Leisure	0.3	–	**0.3**	2.6	0.2
		7.5	**–**	7.5	**10.1**	**11.8**
Consumer Staples	Beverages	–	–	**–**	4.3	–
	Food Producers	2.1	–	**2.1**	0.5	1.3
	Personal Care, Drug and Grocery Stores	2.4	–	**2.4**	7.8	1.2
	Tobacco	–	–	**–**	4.2	–
		4.5	**–**	4.5	**16.8**	**2.5**
Energy	Alternative Energy	0.1	–	**0.1**	–	0.1
	Oil and Gas	9.4	–	**9.4**	11.9	6.0
		9.5	**–**	9.5	**11.9**	**6.1**
Financials	Banks	9.4	–	**9.4**	8.3	7.2
	Closed End Investments	2.0	–	**2.0**	6.6	2.1
	Finance and Credit Services	2.8	–	**2.8**	1.4	2.6
	Investment Banking and Brokerage Services	6.1	–	**6.1**	2.4	7.0
	Life Insurance	6.0	0.1	**6.1**	2.5	7.3
	Non-Life Insurance	4.5	1.9	**6.4**	0.9	5.5
		30.8	**2.0**	32.8	**22.1**	**31.7**
Health Care	Health Care Providers	–	–	**–**	0.1	–
	Medical Equipment and Services	1.0	–	**1.0**	0.6	0.6
	Pharmaceuticals and Biotechnology	4.9	0.1	**5.0**	10.4	4.1
		5.9	**0.1**	6.0	**11.1**	**4.7**
Industrials	Aerospace and Defence	3.3	–	**3.3**	1.7	3.4
	Construction and Materials	4.7	–	**4.7**	1.4	4.3
	Electronic and Electrical Equipment	3.6	–	**3.6**	0.9	4.8
	General Industrials	2.1	–	**2.1**	1.7	2.5
	Industrial Engineering	1.4	1.2	**2.6**	0.6	3.4
	Industrial Support Services	1.9	0.9	**2.8**	3.3	2.8
	Industrial Transportation	2.7	1.8	**4.5**	1.0	5.1
		19.7	**3.9**	23.6	**10.6**	**26.3**

Strategic Report: Portfolio Analysis (continued)

Sector		United Kingdom %	Overseas %	**Total 30 September 2022 %**	FTSE All-Share Index 2022 %	Total 30 September 2021 %
Real Estate	Real Estate Investment and Services	0.7	–	**0.7**	0.4	0.6
	Real Estate Investment Trusts	1.9	–	**1.9**	2.3	1.8
		2.6	**–**	**2.6**	**2.7**	**2.4**
Technology	Software and Computer Services	0.6	–	**0.6**	1.2	0.8
	Technology Hardware and Equipment	0.9	–	**0.9**	0.1	1.2
		1.5	**–**	**1.5**	**1.3**	**2.0**
Telecommunications	Telecommunications Equipment	–	–	**–**	0.1	–
	Telecommunications Service Providers	3.2	–	3.2	1.7	3.0
		3.2	**–**	**3.2**	**1.8**	**3.0**
Utilities	Electricity	–	–	**–**	0.9	–
	Gas, Water and Multi-Utilities	3.7	–	**3.7**	2.4	4.6
	Waste and Disposal Services	–	–	**–**	0.1	–
		3.7	**–**	**3.7**	**3.4**	**4.6**
	Total at 30 September 2022	**94.0**	**6.0**	**100.0**	**100.0**	**–**
	Total at 30 September 2021	**95.0**	**5.0**	**–**	**–**	**100.0**

Strategic Report: Twenty Largest Holdings

Twenty Largest Holdings as at 30 September 2022

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

Rank 2022 (2021)	Company	% of portfolio	Approximate market capitalisation	Valuation 2021 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2022 £'000**
1 (1)	**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.	3.5	£163.0bn	11,567	–	(3,324)	4,113	**12,356**
2 (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.	3.0	£85.8bn	8,336	–	–	2,275	**10,611**
3 (13)	**HSBC** The global bank provides international banking and financial services. The diversity of the countries it operates in as well as its exposure to faster growing economies make it well placed.	2.2	£88.4bn	7,527	–	(1,307)	1,630	**7,850**
4 (2)	**GSK** A global pharmaceutical and vaccine company, which spun-off its consumer healthcare business (Haleon) in July 2022. The remaining pharmaceutical company has leading franchises in areas such as HIV, however has had a mixed R&D track record in recent years. Under a new leadership team and with increased R&D spending it has the potential to reinvigorate its pharmaceutical pipeline.	2.2	£56.3bn	11,297	–	(1,037)	(2,634)	**7,626**
5 (16)	**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.	2.2	£34.4bn	7,224	–	–	378	**7,602**
6 (*)	**Standard Chartered** A global bank providing international banking and financial services, with a particular focus on emerging markets. The position provides geographic diversification for the portfolio as well as being positively exposed to rising global interest rates.	2.2	£16.0bn	5,794	–	–	1,735	**7,529**

* Not in the top 20 largest investments last year

Strategic Report: Twenty Largest Holdings (continued)

Rank 2022 (2021)	Company	% of portfolio	Approximate market capitalisation	Valuation 2021 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2022 £'000
7 (10)	**Direct Line** A UK provider of car, home and small business insurance. The company has well-known brands which will allow it to grow policies well, while maintaining underwriting discipline. A strong balance sheet allows it to pay an attractive dividend yield to shareholders.	2.1	£2.6bn	8,109	3,258	–	(3,856)	**7,511**
8 (3)	**Phoenix** The company operates primarily in the UK and specialises in taking over and managing closed life insurance and pension funds.	2.1	£5.5bn	10,797	–	(1,518)	(1,789)	**7,490**
9 (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.	2.1	£35.6bn	7,081	–	–	305	**7,386**
10 (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.	1.9	£27.2bn	7,612	–	–	(819)	**6,793**
11 (*)	**FBD**[1] The company is an Irish insurer with a focus on insurance coverage for the agricultural sector. It is a disciplined underwriter with a history of good returns generation and pays an attractive dividend yield.	1.9	£305.4m	5,096	–	–	1,661	**6,757**
12 (*)	**Serica Energy** The company is a large producer of natural gas in the North Sea. Its portfolio was built via acquisitions at attractive valuations from larger oil & gas companies. At current gas prices the company is generating substantial amounts of cash with a strong (net cash) balance sheet.	1.9	£894.8m	4,620	–	(471)	2,556	**6,705**
13 (18)	**Irish Continental**[1] The group provides passenger transport, roll-on and roll-off freight transport and container services between Ireland, the United Kingdom 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.	1.8	£608.4m	6,980	–	–	(614)	**6,366**

* Not in the top 20 largest investments last year

1. Overseas listed stock (Ireland)

Strategic Report: Twenty Largest Holdings (continued)

Rank 2022 (2021)	Company	% of portfolio	Approximate market capitalisation	Valuation 2021 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2022 £'000**
14 (*)	**Rio Tinto** The company is one of the world's largest mining businesses with a particular focus on iron ore, aluminium and copper. Its mines are well positioned on the cost curve, often at the lowest cost quartile globally, meaning that it can continue to be highly cash generative despite volatile commodity prices. This cash generation combined with a strong balance sheet has resulted in an attractive ordinary dividend payment combined with some special dividends in recent years.	1.8	£58.9bn	6,142	–	–	(22)	**6,120**
15 (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.	1.7	£185.6m	9,276	–	–	(3,181)	**6,095**
16 (20)	**NatWest** The company is one of the leading retail and commercial lenders in the UK. Since the financial crisis the balance sheet has materially improved and the business has largely returned to its original focus on domestic lending. The company's earnings are well placed to benefit from further rises in UK interest rates.	1.7	£23.6bn	6,519	–	–	(439)	**6,080**
17 (11)	**Aviva** This company provides a wide range of insurance and financial services. Under a new CEO there is heightened focus on simplifying the business.	1.7	£11.7bn	7,918	–	–	(2,017)	**5,901**
18 (*)	**Barclays** The company has a strong retail lending franchise combined with an investment bank. Over time its strong retail franchise should allow it to generate good returns on capital, however in the past these have not consistently come through because of persistently low interest rates and volatile returns from its investment bank. Rising interest rates and market share gains in its investment bank could allow a period of better returns generation that in our view is not reflected in the current valuation.	1.7	£23.8bn	6,446	1,001	–	(1,675)	**5,772**

* Not in the top 20 largest investments last year

Strategic Report: Twenty Largest Holdings (continued)

Rank 2022 (2021)	Company	% of portfolio	Approximate market capitalisation	Valuation 2021 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2022 £'000
19 (*)	**BAE Systems** The company is a global defence contractor. In recent years it has improved its cash generation and balance sheet position, allowing it to return cash to shareholders via both a dividend and share buyback. It would be a beneficiary of rising defence spending in regions such as Europe and this has led to recent strong share price performance.	1.6	£25.0bn	5,087	–	(1,427)	2,066	**5,726**
20 (19)	**M&G** The company is a financial services provider that was spun out of Prudential in 2019, providing insurance and asset management services. The capital generation of the group allows sizeable returns to shareholders via dividends and share buybacks.	1.6	£4.2bn	6,922	–	–	(1,261)	**5,661**
				150,350	**4,259**	**(9,084)**	**(1,588)**	**143,937**

At 30 September 2022 these investments totalled £143,937,000 or 40.9% of portfolio.

* Not in the top 20 largest investments last year

Strategic Report: Investment Portfolio

30 September 2022 Position	Investments	Sector	Market value £'000	% of Portfolio
1	Shell	Oil and Gas	12,356	3.5
2	BP	Oil and Gas	10,611	3.0
3	HSBC	Banks	7,850	2.2
4	GSK	Pharmaceuticals and Biotechnology	7,626	2.2
5	National Grid	Gas, Water and Multi-utilities	7,602	2.2
6	Standard Chartered	Banks	7,529	2.2
7	Direct Line	Non-Life Insurance	7,511	2.1
8	Phoenix	Life Insurance	7,490	2.1
9	Anglo American	Industrial Metals and Mining	7,386	2.1
10	Vodafone	Telecommunications Service Providers	6,793	1.9
10 largest			**82,754**	**23.5**
11	FBD	Non-Life Insurance (Ireland)	6,757	1.9
12	Serica Energy[1]	Oil and Gas	6,705	1.9
13	Irish Continental	Industrial Transportation (Ireland)	6,366	1.8
14	Rio Tinto	Industrial Metals and Mining	6,120	1.8
15	K3 Capital[1]	Investment Banking and Brokerage Services	6,095	1.7
16	NatWest	Banks	6,080	1.7
17	Aviva	Life Insurance	5,901	1.7
18	Barclays	Banks	5,772	1.7
19	BAE Systems	Aerospace and Defence	5,726	1.6
20	M&G	Investment Banking and Brokerage Services	5,661	1.6
20 largest			**143,937**	**40.9**
21	Lloyds Banking	Banks	5,484	1.6
22	Morgan Advanced Materials	Electronic and Electrical Equipment	5,356	1.5
23	Severn Trent	Gas, Water and Multi-utilities	5,299	1.5
24	Hiscox	Non-Life Insurance	5,218	1.5
25	Tesco	Personal Care, Drug and Grocery Stores	5,184	1.5
26	AstraZeneca	Pharmaceuticals and Biotechnology	5,119	1.4
27	Redde Northgate	Industrial Transportation	4,572	1.3
28	BT Group	Telecommunications Service Providers	4,488	1.3
29	Senior	Aerospace and Defence	4,332	1.2
30	Somero Enterprises[1]	Industrial Engineering (USA)	4,312	1.2
30 largest			**193,301**	**54.9**
31	Balfour Beatty	Construction and Materials	4,311	1.2
32	H&T Group[1]	Finance and Credit Services	4,265	1.2
33	Clarkson	Industrial Transportation	4,243	1.2
34	Kingfisher	Retailers	4,239	1.2
35	Mondi	General Industrials	4,182	1.2
36	Epwin[1]	Construction and Materials	4,166	1.2
37	Prudential	Life Insurance	4,022	1.1
38	Henderson Opportunities Trust	Closed End Investments – Investment Trust focusing primarily on UK smaller companies	3,808	1.1
39	Chesnara	Life Insurance	3,726	1.1
40	IMI	Electronic and Electrical Equipment	3,677	1.0
40 largest			**233,940**	**66.4**

1. AIM stocks

Strategic Report: Investment Portfolio (continued)

30 September 2022 Position	Investments	Sector	Market value £'000	% of Portfolio
41	Land Securities	Real Estate Investment Trusts	3,651	1.0
42	Convatec	Medical Equipment and Services	3,294	1.0
43	TT Electronics	Technology Hardware and Equipment	3,291	0.9
44	Alpha Financial Markets[1]	Industrial Support Services	3,259	0.9
45	Headlam	Household Goods and Home Construction	3,246	0.9
46	DCC	Industrial Support Services (Ireland)	3,165	0.9
47	Reckitt Benckiser Group	Personal Care, Drug and Grocery Stores	3,137	0.9
48	Finsbury Food Group[1]	Food Producers	3,120	0.9
49	Palace Capital	Real Estate Investment Trusts	3,114	0.9
50	STV	Media	3,066	0.9
50 largest			**266,283**	**75.6**
51	Hipgnosis	Closed End Investments – Investment Trust investing in song back catalogues	3,044	0.9
52	DS Smith	General Industrials	2,989	0.8
53	Ibstock	Construction and Materials	2,958	0.8
54	Castings	Industrial Engineering	2,861	0.8
55	Numis[1]	Investment Banking and Brokerage Services	2,726	0.8
56	International Personal Finance	Finance and Credit Services	2,592	0.7
57	Hill & Smith	Industrial Metals and Mining	2,479	0.7
58	Ilika[1]	Electronic and Electrical Equipment	2,403	0.7
59	IP Group	Investment Banking and Brokerage Services	2,375	0.7
60	Marks & Spencer	Retailers	2,367	0.7
60 largest			**293,077**	**83.2**
61	Cranswick	Food Producers	2,357	0.7
62	Vertu Motors[1]	Retailers	2,324	0.7
63	Haleon	Pharmaceuticals and Biotechnology	2,317	0.7
64	Helical	Real Estate Investment and Services	2,311	0.7
65	Halfords	Retailers	2,294	0.7
66	Churchill China[1]	Household Goods and Home Construction	2,285	0.6
67	Ricardo	Construction and Materials	2,275	0.6
68	Renold[1]	Industrial Engineering	2,244	0.6
69	Johnson Service[1]	Industrial Support Services	2,203	0.6
70	Provident Financial	Finance and Credit Services	2,136	0.6
70 largest			**315,823**	**89.7**
71	Eleco[1]	Software and Computer Services	2,081	0.6
72	Oxford Sciences Enterprises[2]	Pharmaceuticals and Biotechnology	2,067	0.6
73	Elementis	Chemicals	1,850	0.5
74	XPS Pensions Group	Investment Banking and Brokerage Services	1,845	0.5
75	Devro	Food Producers	1,826	0.5
76	Springfield Properties[1]	Household Goods and Home Construction	1,665	0.5
77	Rolls-Royce	Aerospace and Defence	1,658	0.5
78	Jupiter Fund Management	Investment Banking and Brokerage Services	1,607	0.5
79	Marshalls	Construction and Materials	1,536	0.4
80	Tyman	Construction and Materials	1,470	0.4
80 largest			**333,428**	**94.7**

1. AIM stocks
2. Unlisted investments

Strategic Report: Investment Portfolio (continued)

30 September 2022 Position	Investments	Sector	Market value £'000	% of Portfolio
81	Conduit	Non-Life Insurance	1,382	0.4
82	DWF Group	Industrial Support Services	1,331	0.4
83	Reach	Media	1,281	0.4
84	Flowtech Fluidpower[1]	Electronic and Electrical Equipment	1,200	0.4
85	Brooks MacDonald Group[1]	Investment Banking and Brokerage Services	1,181	0.3
86	I3 Energy[1]	Oil and Gas	1,174	0.3
87	Jadestone Energy[1]	Oil and Gas	1,173	0.3
88	Indus Gas[1]	Oil and Gas	1,140	0.3
89	Appreciate[1]	Finance and Credit Services	1,069	0.3
90	Sabre Insurance	Non-Life Insurance	993	0.3
90 largest			**345,352**	**98.1**
91	Airea[1]	Household Goods and Home Construction	949	0.3
92	DFS Furniture	Retailers	899	0.3
93	R&Q Insurance[1]	Non-Life Insurance	834	0.2
94	Wadworth – Ordinary shares[2]	Travel and Leisure	715	0.2
95	International Distributions Services	Industrial Transportation	692	0.2
96	Carclo	General Industrials	568	0.1
97	Velocys[1]	Alternative Energy	495	0.1
98	Jackson Financial	Life Insurance (USA)	404	0.1
99	Harbour Energy	Oil and Gas	280	0.1
100	Severfield	Construction and Materials	219	0.1
100 largest			**351,407**	**99.8**
101	Faron Pharmaceuticals[1]	Pharmaceuticals and Biotechnology (Finland)	185	0.1
102	Wadworth – Preference shares[2]	Travel and Leisure	126	0.1
103	Esken	Industrial Transportation	112	–
104	Barryroe Offshore Energy[1]	Oil and Gas	100	–
105	SIMEC Atlantis Energy[1]	Alternative Energy	90	–
106	Chamberlin[1]	Industrial Metals and Mining	35	–
107	Mercantile Ports & Logistics[1]	Industrial Transportation	14	–
108	Infrastructure India[1]	Closed End Investments	12	–
109	ACHP[3]	Non-Life Insurance	–	–
110	Carillion[3]	Industrial Support Services	–	–
110 largest			**352,081**	**100.0**
111	Interserve[3]	Industrial Support Services	–	–
112	Studio Retail[3]	Retailers	–	–
Total investments			**352,081**	**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 ('GRI 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 website, www.lowlandinvestment.com, ESG Disclosure, for further details on how these are 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.

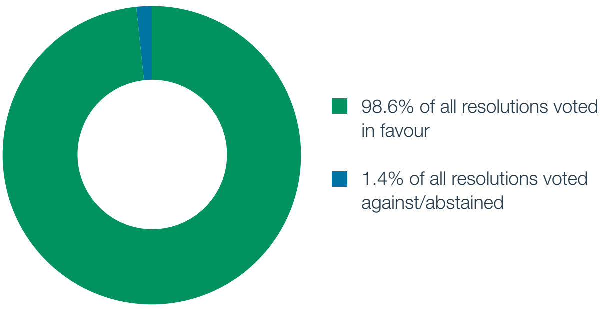
In order to retain oversight of the process, the Board receives an annual report on how the Manager has voted the shares held in the Company's equity portfolio and reviews, at least annually, the Manager's ESG Corporate Statement and ESG Investment Principles.

In the period under review, investee companies held 129 general meetings. The shares held in the Company's equity portfolio were voted in respect of 96.9% of these meetings with the remaining 3.1% 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 129 meetings held there were 20 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, concerns over board independence, the acceptance of financial report and accounts 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;
- 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).

In addition, in 2021 Janus Henderson met its three-year environmental targets to reduce its carbon footprint by 15% per full-time employee. In 2022 new five-year targets were set, in line with guidance from the Science Based Targets Initiative, for Scope 1 (fuel) and Scope 2 (electricity) emissions, and Scope 3 (business travel, hotel stays, freight, paper consumption, water, waste) emissions, which seek to reduce operational emissions.

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 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 30 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 42 to 48), the Audit Committee Report (pages 49 to 51), the Directors' Remuneration Report (pages 39 to 41) and the Report of the Directors (pages 36 to 37) 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 and the more recent market volatility 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 22 to 23.
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 Janus Henderson Fund Management UK Limited (JHFM)* 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. JHFM delegates investment management services to Janus Henderson Investors UK 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 SA. Helena Harvey ACG acts as Company Secretary on behalf of the Corporate Secretary, Janus Henderson Secretarial Services UK Limited*.

Management 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. 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.

*Janus Henderson Fund Management UK Limited, Janus Henderson Investors UK Limited and Janus Henderson Secretarial Services UK Limited changed their names in March 2022 from Henderson Investment Funds Limited, Henderson Global Investors Limited and Henderson Secretarial Services Limited respectively

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 Resource Efficiency 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 Asia Dragon Trust plc, Foresight 4 VCT plc and the Secured Income Fund plc. She is also a partner in Coley Hill Consultancy. She was previously the Chairman of The Wave Group Ltd, 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 director of The Lindsell Train Investment Trust plc, a Trustee for Child Health Research CIO and a member of the Advisory Committee for the M&G Charity Multi-Asset Fund. She also acts as an independent consultant to charities with Portfolio Review Services. 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 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 39 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 13 years of financial industry experience.

Strategic Report: Corporate Information

Registered Office

201 Bishopsgate
London EC2M 3AE

Service Providers

Alternative Investment Fund Manager

Janus Henderson Fund Management UK Limited
201 Bishopsgate
London EC2M 3AE

Corporate Secretary

Janus Henderson Secretarial Services UK 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 2022
Ex dividend date	29 December 2022
Dividend record date	30 December 2022
Annual General Meeting	25 January 2023
Final dividend payable on	31 January 2023
Half year results	announced May 2023

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.

At the half year stage, the Board completed a thorough review of the principal risks and uncertainties facing the Company. As a result of this, they were updated to include geopolitical risks, due to the Russian invasion of Ukraine which has increased the volatility in European markets.

Principal risks	Mitigating measure
Market, geopolitical, macroeconomic or environmental conditions cause a material fall in market value The war in Ukraine has heightened tensions across the world, and significantly increased volatility in equity markets. Macroeconomic conditions in the UK, including political uncertainty and rising inflation have led to increased volatility in the UK equity market.	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 volatility, and holds a regular dialogue with the Fund Managers to understand the impact on the Company's portfolio.
Global pandemic The residual impact of the coronavirus pandemic and the potential impact of further global health crises 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, failure to take account of climate risk impacts on the portfolio, 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 £8.3 million (before payment of the third interim and final dividend) and distributable capital reserves of £235.4 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 SA) 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 43.

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 ongoing impact of the war in Ukraine and the COVID-19 pandemic, 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 and the Chairman's Statement and Fund Managers' Report give more information on performance.

Borrowings

For the year ended 30 September 2022, the Company had 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 had a conditional option to increase the facility by £20m. This facility, which bore interest at LIBOR plus 0.9% until 31 December 2021, at which point it moved to a risk-free rate, expired on 27 October 2022.

The maximum amount drawn down in the year under review was £33.1m (2021: £33.1m), with borrowing costs for the year totalling £360,000 (2021: £214,000). £18.5m (2021: £33.1m) of the facility was in use at the year end.

Strategic Report: Corporate Information (continued)

On 27 October 2022, the Company entered into a committed loan facility with BNP Paribas, London Branch, of up to £40 million, which allows 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 based on the compounded risk-free rate, expires on 27 October 2025.

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 2022 was 12.5% (2021: 13.8%) 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. 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
12 December 2022

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 2022.

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 1.525p each, totalling 4.575p per share, have been declared and/or paid in respect of the year to 30 September 2022. See note 10 on page 68 for more information. A final dividend of 1.525p per share is being proposed for consideration by shareholders at the forthcoming AGM.

Directors' Remuneration and Shareholdings

The Directors' Remuneration Report on pages 39 to 41 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 2.5p each (2021: 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. On 7 February 2022, following shareholder approval at the 2022 AGM, the Company undertook a ten for one share split. As at 30 September 2022, there were 270,185,650 ordinary shares in issue (2021: 27,018,565). No shares were issued during the year or in the period up to the date of this report. At the AGM held in January 2022 the Directors were granted authority to buy-back 40,500,820 shares. At 30 September 2022 no shares had been bought back from this authority. The Directors have remaining authority to purchase 40,500,820 shares. This authority will expire at the conclusion of the 2023 AGM.

The Company will seek authority from its shareholders at the 2023 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 33 (see 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

As at 30 September 2022, the Company has been notified that 1607 Capital Partners LLC has an interest in 5.15% of the Company's issued share capital. There are no other declarations of interest as at 30 September 2022 in accordance with the Disclosure, Guidance and Transparency Rules.

No changes have been notified in the period 1 October 2022 to 9 December 2022.

Fund Managers' Interests

James Henderson, Fund Manager, has a beneficial interest in 924,900 ordinary shares of the Company (2021: 924,900). Laura Foll, Fund Manager, has a beneficial interest in 93,406 ordinary shares of the Company (2021: 51,140) (both comparable figures have been restated to reflect the share split which took place on 7 February 2022).

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 41. There were no outstanding amounts payable at the year end.

Report of the Directors (continued)

In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services, there have been no material transactions with Janus Henderson affecting the financial position of the Company during the year under review. More details on transactions with Janus Henderson, including amounts outstanding at the year end, are given in note 20 on page 76.

Annual General Meeting ('AGM')

The AGM will be held on Wednesday 25 January 2023 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/trustslive**.

Corporate Governance

The Corporate Governance Statement set out on pages 42 to 48 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.

Janus Henderson Secretarial Services UK Limited
Corporate Secretary
12 December 2022

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 28 and 29, 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
12 December 2022

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 and will be put to shareholders for further approval at the AGM in January 2023. 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 25 January 2023.

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 £40,000 for the Chairman, £31,500 for the Chairman of the Audit Committee and £26,250 for the remaining Directors.

The last fee increase took effect from 1 October 2021. During 2022, 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. 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 2022: Chairman; £42,000 (5.0% increase): Audit Committee Chairman; £33,000 (4.8% increase): Directors; £27,500 (4.8% 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 2.5p	
	30 September 2022[1]	1 October 2021[1]
Beneficial:		
Robert Robertson	**592,250**	592,250
Duncan Budge	**97,790**	97,790
Gaynor Coley	**10,450**	10,450
Karl Sternberg[2]	**–**	96,290
Helena Vinnicombe	**10,000**	10,000
Thomas Walker	**16,000**	16,000
Non Beneficial:		
Robert Robertson	**120,000**	120,000

1. Numbers of shares at the beginning of the year have been restated to reflect the share split which took place on 7 February 2022
2. Resigned 8 December 2021

There have been no changes to any of the Directors' holdings in the period 1 October 2022 to the date of this report.

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

Directors' Remuneration Report (continued)

Relative importance of Spend on Pay

Annual percentage change in Directors' remuneration

The table below sets out the annual percentage change in fees for each Director who served during the year ended 30 September 2022:

Director	**Year ended 30 September 2022 %**	Year ended 30 September 2021 %	Year ended 30 September 2020 %	Year ended 30 September 2019 %	Year ended 30 September 2018 %
Robert Robertson	**2.6**	0.0	1.3	1.3	2.7
Duncan Budge	**2.9**	0.0	2.0	2.0	4.2
Gaynor Coley	**3.3**	0.0	1.7	1.7	3.4
Helena Vinnicombe[1]	**2.9**	n/a	n/a	n/a	n/a
Thomas Walker[2]	**2.9**	0.0	2.0	n/a	n/a

1. Appointed 1 May 2021
2. Appointed 1 July 2019

Comparative percentages reflect changes to the salary which would have been payable for a full year

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the total level of remuneration paid to Directors to the distributions made to shareholders in each year.

Director	**Year ended 30 September 2022 £'000**	Year ended 30 September 2021 £'000	Change £'000	Change %
Total remuneration paid to Directors[1]	**155,172**	156,648	(1,476)	(0.9)
Distributions to shareholders:				
– Ordinary dividends	**16,413,778**	16,211,139	202,369	1.2
– Buyback of ordinary shares	**n/a**	n/a	–	–

1. Increases/(decreases) will fluctuate due to the number of Directors in any one year

Directors' Remuneration Report (continued)

Directors' Fees and Expenses (audited)

The remuneration paid to the Directors who served during the years ended 30 September 2022 and 30 September 2021 was as follows:

	Year ended 30 September 2022 Total salary and fees £	Year ended 30 September 2021 Total salary and fees £	Year ended 30 September 2022 Taxable benefits £	Year ended 30 September 2021 Taxable benefits £	Year ended 30 September 2022 Total £	Year ended 30 September 2021 Total £
Robert Robertson[1]	40,000	39,000	230	–	40,230	39,000
Gaynor Coley[2]	31,500	30,500	996	–	32,496	30,500
Duncan Budge	26,250	25,500	–	–	26,250	25,500
Thomas Walker	26,250	25,500	253	–	26,503	25,500
Helena Vinnicombe[3]	26,250	10,648	121	–	26,371	10,648
Karl Sternberg[4]	4,922	25,500	–	–	4,922	25,500
Total	**155,172**	**156,648**	**1,600**	**–**	**156,772**	**156,648**

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 4. Retired 8 December 2021

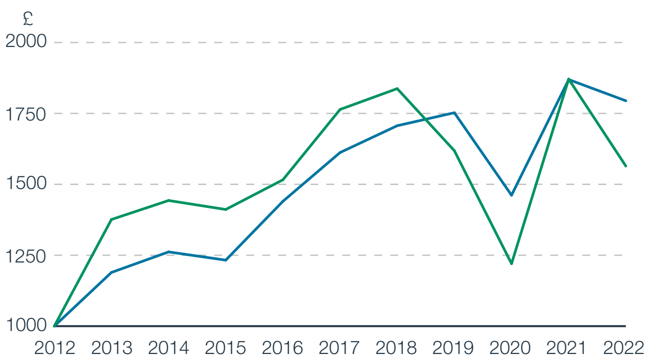
HMRC view certain expenses incurred by Directors (primarily travel to/from Board meetings) as a taxable benefit. The Board has decided that with effect from the 2019/2020 tax year onward, Directors' expenses in relation to travel to/from Board meetings will be reimbursed as a 'grossed up' amount to compensate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

The fees paid to the Directors during the year were: Chairman £40,000, Audit Committee Chairman £31,500 and Directors £26,250.

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

Performance

The graph below compares the mid-market price of the Company's ordinary shares over the ten-year period ended 30 September 2022 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 2012 and the reinvestment of all dividends (excluding dealing expenses)

FTSE All-Share Index Total Return, assuming the notional investment of £1000 on 30 September 2012 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
Discretionary	0.92
Votes withheld	16,502

A non-binding ordinary resolution adopting the Directors' Remuneration Report for the year ended 30 September 2021 was approved by shareholders at the AGM held on 26 January 2022. The votes cast by proxy were as follows:

	% of votes cast
For	98.91
Against	0.58
Discretionary	0.51
Votes withheld	32,273

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

On behalf of the Board

Robert Robertson
Chairman
12 December 2022

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. Biographical details for each Director are set out on pages 28 and 29.

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 24.

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 SA 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 2022. 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 SA).

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 2023 AGM.

The Articles permit shareholders to remove a Director before the end of his or her 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 2022, the Committee concluded that all Directors continued to be independent in character and judgement.

Two Directors who served during the year have/had served longer than nine years (one of whom resigned on 8 December 2021), the independence of the remaining longer serving Board member was considered as part of the Board evaluation. Following an extensive review of his contribution, time commitment and conduct, that Director is 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]	1/1	1/1	–	–
Helena Vinnicombe	5/5	2/2	1/1	1/1
Thomas Walker[3]	4/5	2/2	0/1	0/1

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 and resigned on 8 December 2021
3. Mr Walker missed meetings held on one date due to bereavement

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.

Board of Directors

Comprised of five independent non-executive Directors

Audit Committee

Chairman: Gaynor Coley

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

Management Engagement Committee

Chairman: Robert Robertson

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

Nominations Committee

Chairman: Robert Robertson

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

Contractually engages third-party service providers to deliver the Company's operations, principal among them being the Manager

Janus Henderson Investors

Fund Managers:
James Henderson
Laura Foll

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 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 49 to 51.

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. In all the Nominations Committee's activities, there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

Corporate Governance Statement (continued)

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

- The composition of the Board and each of its committees, taking account of the skills, experience and knowledge of each Director and whether the diversity of these continued to contribute to the success of the Company;
- The outcomes of the Board performance evaluation with a view as to whether adjustments should be made to the number of Directors or knowledge and skills represented on the Board;
- The tenure of each of the Directors, giving consideration as to whether the Board retained a sufficient balance of length of service without becoming ossified;
- The independence of the Directors taking account of the guidelines established by the AIC Code and the Directors' other commitments; the time commitment of the Directors and whether this had been sufficient over the course of the year;
- 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 2023 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.

The Listing Rules of the FCA now require companies to report on whether they have met the following targets on board diversity: that at least 40% of the individuals on the board are women and at least one of the senior positions on the board is held by a woman. As at 30 September 2022, the Company had met these requirements. Two out of the five Directors (40%) are women and one of the women holds a senior position, being the Audit Committee Chair. There have been no changes to the Board or the roles of Directors since 30 September 2022.

The following tables set out the gender and ethnic diversity of the Board:

Gender diversity	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]
Men	3	60	1
Women	2	40	1
Ethnic diversity			
White British	5	100	2

1. Senior positions include Chairman and Audit Committee Chair

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.

Corporate Governance Statement (continued)

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 the Chairman of the Board. The Chairman of the Board attends 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 SA 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 put its audit out to tender 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 first year the current audit partner, Michael Gaylor, has been in place.

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

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

Report of the Audit Committee (continued)

Audit Fees

The fees payable to the Auditor for audit services were £45,000 (2021: £40,000) (exclusive of VAT). Further detail can be found in note 6 on page 66.

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 (2021: 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, Michael Gaylor, is expected to serve until 2026.

Audit from the Year Ended 30 September 2022

In relation to the Annual Report for the year ended 30 September 2022 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 SA, 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 63.
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 64 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 SA.
Assessment of management judgements	The Committee assessed whether there were areas in which the Auditors challenged management's judgements. It concluded that there were few areas where such judgement was applied, and where it did apply, the Auditor appropriately challenged and evidenced the outcome.
Maintaining internal controls	The Committee receives regular reports on internal controls from Janus Henderson, BNP Paribas SA 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

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

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.

The Auditor attended two Audit Committee meetings in the year, when the Committee was considering the half year and the annual results. The Committee Chair also met with the Auditor to review the audit results prior to these being presented to the Audit Committee.

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. Overall, the Committee considers that the audit quality for the year ended 30 September 2022 has been high and that the Manager and EY have worked together to enhance and improve reporting to shareholders.

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 2022

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
12 December 2022

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 2022 which comprise Income Statement, the Statement of Changes in Equity, 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 2022 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 geopolitical factors 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.

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 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 £3.13m which represents 1% of Net Assets as at 30 September 2022.

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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. This is explained on page 31 in the principal and emerging risks section, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1(a), and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by FRS102. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

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. Refer to the Audit Committee Report (pages 49 to 51); Accounting policies (pages 63 to 65); and Note 3 of the Financial Statements (page 65). 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.	**We have performed the following procedures:** • We obtained an understanding of BNP Paribas SA (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 eight special dividends all classed as revenue. We tested all eight dividends and confirmed that the classification was consistent with the underlying nature of the payment.	**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
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. 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.	• 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. • For any dividends accrued, we reviewed the investee company announcements to assess whether the dividend obligations arose prior to 30 September 2022. • 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 Refer to the Audit Committee Report (pages 49 to 51); Accounting policies (pages 63 to 65); and Note 11 of the Financial Statements (page 69). The valuation of the portfolio at 30 September 2022 was £352.08m (2021: £448.83m) 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 of 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 2022 to independent confirmations received directly from the Company's Custodian and Depositary.	**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.

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

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £3.13 million (2021: £3.94 million), which is 1% (2021: 1%) of net assets as at 30 September 2022. We believe that materiality calculation based on a proportion of net assets provides us with 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% (2021: 75%) of our planning materiality, namely £2.35m (2021: £2.96m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

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 £0.16m (2021: £0.20m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information 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 this gives rise to 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' reports 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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 38, 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 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.

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 ending 30 September 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ending 30 September 2017 to 30 September 2022.

- 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.

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

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.

Mike Gaylor (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
12 December 2022

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 2022 Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 September 2021 Revenue return £'000	Capital return £'000	Total £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(79,801)	(79,801)	–	121,353	121,353
3	Income from investments	18,666	–	18,666	13,591	319	13,910
4	Other interest receivable and similar income	70	–	70	93	–	93
	Gross revenue and capital (losses)/gains	**18,736**	**(79,801)**	**(61,065)**	**13,684**	**121,672**	**135,356**
5	Management fee	(862)	(861)	(1,723)	(811)	(811)	(1,622)
6	Administrative expenses	(645)	–	(645)	(658)	–	(658)
	Net return/(loss) before finance costs and taxation	**17,229**	**(80,662)**	**(63,433)**	**12,215**	**120,861**	**133,076**
7	Finance costs	(657)	(657)	(1,314)	(584)	(585)	(1,169)
	Net return/(loss) before taxation	**16,572**	**(81,319)**	**(64,747)**	**11,631**	**120,276**	**131,907**
8	Taxation on net return	(81)	–	(81)	(93)	–	(93)
	Net return/(loss) after taxation	**16,491**	**(81,319)**	**(64,828)**	**11,538**	**120,276**	**131,814**
9	Return/(loss) per ordinary share – basic and diluted[1]	6.10p	(30.10p)	(24.00p)	4.27p	44.52p	48.79p

1. Comparative figures for the year ended 30 September 2021 have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022

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 63 to 76 form part of these financial statements

Statement of Changes in Equity

Notes	Year ended 30 September 2022	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 2021	6,755	61,619	1,007	318,244	6,660	394,285
	Net (loss)/return after taxation	–	–	–	(81,319)	16,491	(64,828)
	Costs relating to sub–division of shares	–	–	–	(23)	–	(23)
10	Third interim dividend (1.5p[1]) for the year ended 30 September 2021 paid 29 October 2021	–	–	–	–	(4,053)	(4,053)
10	Final dividend (1.525p[1]) for the year ended 30 September 2021 paid 31 January 2022	–	–	–	(1,513)	(2,607)	(4,120)
10	First interim dividend (1.525p) for the year ended 30 September 2022 paid 29 April 2022	–	–	–	–	(4,120)	(4,120)
10	Second interim dividend (1.525p) for the year ended 30 September 2022 paid 29 July 2022	–	–	–	–	(4,120)	(4,120)
10	Return of unclaimed dividends	–	–	–	–	15	15
	At 30 September 2022	**6,755**	**61,619**	**1,007**	**235,389**	**8,266**	**313,036**

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 (1.5p[1]) for the year ended 30 September 2020 paid 30 October 2020	–	–	–	–	(4,053)	(4,053)
10	Final dividend (1.5p[1]) for the year ended 30 September 2020 paid 29 January 2021	–	–	–	–	(4,053)	(4,053)
10	First interim dividend (1.5p[1]) for the year ended 30 September 2021 paid 30 April 2021	–	–	–	–	(4,053)	(4,053)
10	Second interim dividend (1.5p[1]) 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**

1. Dividend rates have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022

The notes on pages 63 to 76 form part of these financial statements

Statement of Financial Position

Notes		As at 30 September 2022 £'000	As at 30 September 2021 £'000
	Fixed assets		
11	**Investments held at fair value through profit or loss:**		
	Listed at market value in the United Kingdom	247,017	335,416
	Listed at market value on AIM	58,664	73,997
	Listed at market value overseas	15,503	15,830
	Unlisted	2,908	2,868
	Investments on loan[1]	27,989	20,721
		352,081	**448,832**
	Current assets		
12	Debtors	1,228	1,625
	Cash at bank	9,395	7,976
		10,623	**9,601**
13	**Creditors: amounts falling due within one year**	(19,866)	(34,357)
	Net current liabilities	**(9,243)**	**(24,756)**
	Total assets less current liabilities	**342,838**	**424,076**
13	**Creditors: amounts falling due after one year**	(29,802)	(29,791)
	Net assets	**313,036**	**394,285**
	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	235,389	318,244
	Revenue reserve	8,266	6,660
	Total shareholders' funds	**313,036**	**394,285**
17	**Net asset value per ordinary share – basic and diluted[2]**	**115.9p**	**145.9p**

1. Prior year comparatives have been restated as explained further in note 1a)
2. Comparative figures for the year ended 30 September 2021 have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022

The financial statements on pages 59 to 76 were approved and authorised for issue by the Board of Directors on 12 December 2022 and signed on their behalf by:

Robert Robertson
Chairman

The notes on pages 63 to 76 form part of these financial statements

Statement of Cash Flows

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Cash flows from operating activities		
Net (loss)/return before taxation	(64,747)	131,907
Add back: finance costs	1,314	1,169
Add: losses/(gains) on investments held at fair value through profit or loss	79,801	(121,353)
Withholding tax on dividends deducted at source	(59)	(96)
Decrease/(increase) in other debtors	41	(359)
Increase/(decrease) in other creditors	98	(42)
Net cash inflow from operating activities	**16,448**	**11,226**
Cash flows from investing activities		
Purchase of investments	(40,491)	(72,746)
Sale of investments	57,726	66,553
Net cash inflow/(outflow) from investing activities	**17,235**	**(6,193)**
Cash flows from financing activities		
Equity dividends paid (net of refund of unclaimed distributions and reclaimed distributions)	(16,398)	(16,182)
Costs relating to sub-division of shares	(23)	–
Loans drawn down[1]	9,149	45,121
Loans repaid[1]	(23,726)	(28,078)
Interest paid	(1,294)	(1,132)
Net cash outflow from financing activities	**(32,292)**	**(271)**
Net increase in cash and cash equivalents	1,391	4,762
Cash and cash equivalents at start of year	7,976	3,232
Effect of foreign exchange rates	28	(18)
Cash and cash equivalents at end of year	**9,395**	**7,976**
Comprising:		
Cash at bank	9,395	7,976
	9,395	**7,976**

Cash inflow from dividends net of taxation was £18,835,000 (2021: £13,445,000) and interest received was £4,000 (2021: £nil).

1. Prior year comparatives have been restated as explained further in note 1a)

The notes on pages 63 to 76 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 30.

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 April 2021.

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 next financial year.

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. In line with UK GAAP investments are valued at fair value which are quoted prices for the investments in active markets and therefore reflect participants' views of climate change risk.

Loan draw downs and repayments have previously been shown as a net amount in the Statement of Cash Flows. In the current year, this disclosure has been corrected and the Statement of Cash Flows now shows the gross value of loans drawn down and loans repaid, with the prior year comparatives restated to be on the same basis.

The investment disclosures in the Statement of Financial Position previously included the value of investments on loan within the values of investments listed at market value in the United Kingdom, listed at market value on AIM and listed at market value overseas. In the current year, the value of investments on loan has been disclosed separately and the prior year comparatives corrected to be restated to be on the same basis.

These changes in presentation have no impact on the Company's net assets, Income Statement or total cash flows.

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 the war in Ukraine and 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 '(losses)/gains 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.

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, 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.

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 (which may be restricted by unrealised losses) and revenue reserve may be distributed by way of a dividend.

2 (Losses)/gains on investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Gains on the sale of investments based on historical cost	12,602	6,700
Less: revaluation losses recognised in previous years	(7,450)	(1,599)
Gains on investments sold in the year based on carrying value at previous Statement of Financial Position date	**5,152**	**5,101**
Revaluation (losses)/gains on investments held at 30 September	(84,981)	116,270
Exchange gains/(losses)	28	(18)
	(79,801)	**121,353**

3 Income from Investments

	2022 £'000	2021 £'000
UK dividends:		
Listed investments	16,180	11,954
Unlisted	13	34
Property income dividends	460	444
	16,653	**12,432**
Non UK dividends:		
Overseas dividend income	2,013	1,159
	2,013	**1,159**
	18,666	**13,591**

Notes to the Financial Statements (continued)

4 Other Interest Receivable and Similar Income

	2022 £'000	2021 £'000
Stock lending commission	62	89
Income from underwriting	–	4
Bank interest	8	–
	70	**93**

Stock lending commission has been shown net of brokerage fees of £16,000 (2021: £22,000).

5 Management fees

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	862	861	1,723	811	811	1,622
	862	**861**	**1,723**	**811**	**811**	**1,622**

A description of the basis for calculating the management fee is given in the Strategic Report on page 27.

6 Administrative Expenses

	2022 £'000	2021 £'000
Directors' fees and expenses (see Directors' Remuneration Report on page 41)[1]	157	157
Auditors' remuneration – for audit services	45	40
AIC subscriptions	21	19
Directors' and Officers' liability insurance	23	8
Listing fees (Stock Exchange, newspapers and internet)	32	34
Safe custody and bank charges	23	21
Loan facility fees	59	132
Printing and postage	20	18
Registrar's fees	19	19
General expenses and marketing expenses payable to Janus Henderson	96	79
Depositary fees	32	31
Other expenses	63	55
Irrecoverable VAT	55	45
	645	**658**

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

7 Finance Costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On bank loans and overdrafts repayable within one year	180	180	360	107	107	214
On senior unsecured loan notes	477	477	954	477	478	955
	657	**657**	**1,314**	**584**	**585**	**1,169**

The allocation between revenue return and capital return is explained in note 1(f) on page 64.

Notes to the Financial Statements (continued)

8 Taxation on Net Return

Analysis of tax charge for the year

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Overseas tax suffered	84	–	84	103	–	103
Overseas tax reclaimable	(3)	–	(3)	(10)	–	(10)
Total taxation for the year	**81**	**–**	**81**	**93**	**–**	**93**

Factors affecting the tax charge for the year

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Net return/(loss) before taxation	16,572	(81,319)	(64,747)	11,631	120,276	131,907
Corporation tax at standard rate of 19%[1]	3,149	(15,451)	(12,302)	2,210	22,852	25,062
Effects of:						
Non–taxable UK dividends	(3,077)	–	(3,077)	(2,271)	–	(2,271)
Other non–taxable income	(382)	–	(382)	(214)	–	(214)
Overseas tax suffered	81	–	81	93	–	93
Excess management expenses	310	289	599	275	205	480
Currency (gains)/losses	–	(5)	(5)	–	4	4
Non–taxable/deductible capital losses/(gains)	–	15,167	15,167	–	(23,061)	(23,061)
Total tax charge	**81**	**–**	**81**	**93**	**–**	**93**

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 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 utilised amounts. Consequently, the Company has not recognised a deferred tax asset totalling £16,556,000 (2021: £15,768,000) arising as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits totalling £66,224,000 (2021: £63,072,000), and based on a prospective tax rate of 25% (2021: 25%).

9 Return per Ordinary Share – Basic and Diluted

The return/(loss) per ordinary share is based on the net loss attributable to the ordinary shares of £64,828,000 (2021: net return of £131,814,000) and on 270,185,650 ordinary shares (2021: 270,185,650[1]) being the weighted average number of ordinary shares in issue during the year. The (loss)/return per ordinary share can be further analysed between revenue and capital, as below.

1. Comparative figures for the year ended 30 September 2021 have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022

Notes to the Financial Statements (continued)

9 Return per Ordinary Share – Basic and Diluted (continued)

	2022 £'000	2021 £'000
Net revenue return	16,491	11,538
Net capital (loss)/return	(81,319)	120,276
Net total (loss)/return	**(64,828)**	**131,814**
Weighted average number of ordinary shares in issue during the year	**270,185,650**	**270,185,650[1]**

	2022 Pence	2021 Pence[1]
Revenue return per ordinary share	6.10	4.27
Capital (loss)/return per ordinary share	(30.10)	44.52
Total (loss)/return per ordinary share	**(24.00)**	**48.79**

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

1. Comparative figures for the year ended 30 September 2021 have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022

10 Dividends Paid and Payable on the Ordinary Shares

Dividends on ordinary shares	Record date	Payment date	2022 £'000	2021 £'000
Third interim dividend (1.5p[1]) for the year ended 30 September 2020	2 October 2020	30 October 2020	–	4,053
Final dividend (1.5p[1]) for the year ended 30 September 2020	29 December 2020	29 January 2021	–	4,053
First interim dividend (1.5p[1]) for the year ended 30 September 2021	6 April 2021	30 April 2021	–	4,053
Second interim dividend (1.5p[1]) for the year ended 30 September 2021	2 July 2021	30 July 2021	–	4,053
Third interim dividend (1.5p[1]) for the year ended 30 September 2021	30 September 2021	29 October 2021	4,053	–
Final dividend (1.525p[1]) for the year ended 30 September 2021	30 December 2021	31 January 2022	4,120	–
First interim dividend (1.525p) for the year ended 30 September 2022	31 March 2022	29 April 2022	4,120	–
Second interim dividend (1.525p) for the year ended 30 September 2022	30 June 2022	29 July 2022	4,120	–
Return of unclaimed dividends			(15)	(30)
			16,398	**16,182**

The third interim dividend and the final dividend for the year ended 30 September 2022 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.

	2022 £'000
Revenue available for distribution by way of dividends for the year	16,491
First interim dividend (1.525p[1]) for the year ended 30 September 2022	(4,120)
Second interim dividend (1.525p[1]) for the year ended 30 September 2022	(4,120)
Third interim dividend (1.525p) for the year ended 30 September 2022	(4,120)
Final dividend (1.525p) for the year ended 30 September 2022 (based on 270,185,650 ordinary shares in issue at 9 December 2022)	(4,120)
Return of unclaimed dividends	15
Transfer to reserves	**26[2]**

1. Dividend rates have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022
2. The residual will be transferred to the revenue reserve (2021: transfer from revenue reserve £3,198,000, transfer from capital reserve £1,513,000)

Notes to the Financial Statements (continued)

11 Investments held at Fair Value through Profit or Loss

	2022 £'000	2021 £'000
Cost at start of year	**401,769**	**388,158**
Investment holding gains/(losses) at start of year	47,063	(67,608)
Valuation at start of year	448,832	320,550
Analysis of transactions made during the year		
Additions at cost	40,470	72,303
Disposal proceeds received	(57,392)	(65,392)
Unrealised (losses)/gains on investments	(92,431)	114,671
Realised gains on investments	12,602	6,700
Valuation at end of year	**352,081**	**448,832**
Cost at end of year	397,448	401,769
Investment holding (losses)/gains at end of year	(45,367)	47,063
Valuation at end of year	**352,081**	**448,832**

Included in the total investments are unlisted investments shown at the Directors fair value of £2,908,000 (2021: £2,838,000).

At 30 September 2022 the total value of securities on loan by the Company for stock lending purposes was £27,989,000 (2021: £20,721,000). The maximum aggregate value of securities on loan at any time during the year ended 30 September 2022 was £64,859,000 (2021: £54,999,000). The Company's agent holds collateral comprising FTSE 100 stocks, gilts, overseas equities and overseas government bonds with a collateral value of £29,432,000 (2021: £21,878,000) amounting to a minimum of 104% (2021: minimum 106%) of the market value of any securities on loan.

Purchase transaction costs for the year ended 30 September 2022 were £184,000 (2021: £343,000). These comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2022 were £21,000 (2021: £27,000).

The Company received £57,392,000 (2021: £65,392,000) from investments sold in the year. The book cost of these investments when they were purchased was £44,790,000 (2021: £58,692,000). 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 2022, the Company holds 3% or more of any class of capital in 11 investee companies (2021: 10). Within the 11, there were 3 whose valuation represented more than 1% of the value of the total investment portfolio held by the Company, which are:

	2022 Valuation £'000	2022 % of voting rights	2021 Valuation £'000	2021 % of voting rights
K3 Capital	**6,095**	**3.6**	**9,276**	**3.6**
Epwin	**4,166**	**3.9**	**6,332**	**3.8**
Henderson Opportunities Trust	**3,808**	**5.1**	**5,540**	**5.1**

12 Debtors

	2022 £'000	2021 £'000
Prepayments and accrued income	1,041	1,082
Sales for future settlement	–	334
Taxation recoverable	187	209
	1,228	**1,625**

Notes to the Financial Statements (continued)

13 Creditors

Amounts falling due within one year

	2022 £'000	2021 £'000
Unsecured sterling bank loans	18,522	33,099
Purchases for future settlement	–	21
Other creditors	1,344	1,237
	19,866	**34,357**

The Company had a 2 year revolving loan facility of up to £40m with Industrial and Commercial Bank of China (London Branch). As at 30 September 2022 £18.5m (2021: £33.1m) of the facility was drawn down. This facility expired on 27 October 2022. A new three year £40m loan facility, with an option to extend by up to £20m, was entered into with BNP Paribas, London Branch, on 27 October 2022.

Amounts falling due after more than one year

	2022 £'000	2021 £'000
3.15% senior unsecured loan notes 2037	29,802	29,791
	29,802	**29,791**

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 24. 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 SA) 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 2022 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 61.

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 19 to 21. 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% (2021: 20%) in the fair values of the Company's investments including the impact on the management fee. 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%

	2022		2021	
	If prices go up £'000	**If prices go down £'000**	If prices go up £'000	If prices go down £'000
Investments at year end	352,081	352,081	448,832	448,832
Impact on income statement:				
Revenue return	(141)	141	(179)	179
Capital return	70,275	(70,275)	89,587	(89,587)
Impact on net assets and total return (excluding gearing)	**70,134**	**(70,134)**	**89,408**	**(89,408)**

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 £13,527,000 (2021: £12,389,000) representing 3.8% (2021: 2.8%) 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 SONIA (2021: LIBOR); and
- Interest paid on borrowings under the loan facility is at a margin over SONIA (2021: LIBOR) for the type of loan. The weighted average interest rate of these is 2.68% as at 30 September 2022 (2021: 0.96%). 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 was effective 1 January 2022.

The Company had fixed interest rate asset exposure at 30 September 2022 on the holding in Wadworth at £126,000 (2021: £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. During the year, this was 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 £9,127,000 (2021: £25,123,000) and if that level of borrowing was maintained for a full year, then a 200 basis points change in SONIA (up or down) would decrease or increase net revenue and total net return after taxation by approximately £183,000 (2021: £502,000).

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 (2021: £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 2022	Due within 1 year £'000	Due within 1-5 years £'000	Due after 5 years £'000
Bank loans[1]	18,601	–	–
Senior unsecured notes[2]	945	3,780	38,978
Other creditors	1,074	–	–
	20,620	**3,780**	**38,978**

Notes to the Financial Statements (continued)

14 Financial Risk Management Policies and Procedures (continued)

14.2 Liquidity Risk (continued)

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**

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 70

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.

	2022 £'000	2021 £'000
Fixed interest securities	126	126
Cash	9,395	7,976
Debtors:		
– prepayments and accrued income	1,015	1,048
– sales for future settlement	–	334
– taxation recoverable	187	209
	10,723	**9,693**

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 2022, the fair value of the senior unsecured loan notes was estimated to be £23,851,000 (2021: £33,370,000). 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 loan 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 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments	349,173	–	2,908	352,081
	349,173	**–**	**2,908**	**352,081**

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**

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

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

	2022 £'000	2021 £'000
Opening balance	2,868	2,495
Total gain included in the Income Statement		
– on investments held	40	373
Closing balance	**2,908**	**2,868**

The Company's holdings in Oxford Sciences Enterprises was revalued upward and in Wadworth downward during the year. The Level 3 revaluation in the prior year related to Oxford Science 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 2022 comprises its equity share capital, reserves and loans that are shown in the Statement of Financial Position at a total of £361,360,000 (2021: £457,175,000).

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 2021	27,018,565	27,018,565	6,755
Issue of ordinary shares following 10: 1 share split	243,167,085	243,167,085	–
At 30 September 2022	**270,185,650**	**270,185,650**	**6,755**

During the year, the Company's shares in issue increased as a result of the sub-division of the existing ordinary shares. No shares were allotted or bought back during the year (2021: 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 2021	47,064	271,180	318,244
Transfer on disposal of investments	(7,450)	7,450	–
Net (losses)/gains on investments	(84,981)	5,152	(79,829)
Payment of dividend	–	(1,513)	(1,513)
Costs relating to sub-division of shares	(23)	–	(23)
Expenses and finance costs allocated to capital	–	(1,518)	(1,518)
Exchange differences	–	28	28
At 30 September 2022	**(45,390)**	**280,779**	**235,389**

The capital reserve arising on revaluation of investments held at 30 September 2022 includes a gain of £718,000 (2021: £678,000) based on historical book cost, in respect of the revaluation of unlisted investments.

	Capital reserve arising on revaluation of investments held £'000	Capital reserve arising on investments sold £'000	Other capital reserves total £'000
At 1 October 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**

17 Net Asset Value per Ordinary Share

The net asset value per ordinary share of 115.9p (2021: 145.9p[1]) is based on the net assets attributable to the ordinary shares of £313,036,000 (2021: £394,285,000) and on 270,185,650 (2021: 270,185,650[1]) shares in issue on 30 September 2022.

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

	2022 £'000	2021 £'000
Total net assets at start of year	394,285	278,653
Total net (loss)/return after taxation	(64,828)	131,814
Costs relating to sub-division of shares	(23)	–
Net dividends paid in the year:		
Ordinary shares	(16,398)	(16,182)
Net assets attributable to the ordinary shares at 30 September	**313,036**	**394,285**

1. Comparative figures for the year ended 30 September 2021 have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022

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 2021	7,976	(33,099)	(29,791)	(54,914)
Cash flows	1,391	14,577	–	15,968
Exchange movements	28	–	–	28
Non cash flow:				
Amortisation of issue costs	–	–	(11)	(11)
Net debt at 30 September 2022	**9,395**	**(18,522)**	**(29,802)**	**(38,929)**

	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)**

19 Capital Commitments and Contingent Liabilities

Capital Commitments

There were no capital commitments as at 30 September 2022 (2021: £nil).

Contingent Liabilities

There were no contingent liabilities as at 30 September 2022 (2021: £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 secretarial services. Janus Henderson has contracted with BNP Paribas SA to provide accounting and administration services.

Details of the fee arrangements for these services are given in the Strategic Report on page 27. The total of the management fees paid or payable to Janus Henderson under this agreement in respect of the year ended 30 September 2022 was £1,723,000 (2021: £1,622,000). The amount outstanding at 30 September 2022 was £855,000 (2021: £804,000).

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Janus Henderson also provided sales and marketing services. The total amounts paid to Janus Henderson in respect of marketing for the year ended 30 September 2022 amounted to £96,000 (2021: £79,000).

Details of fees paid to Directors are included in the Directors' Remuneration Report on page 41 and in note 6 on page 66.

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 2022 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 2022	
Market value of securities on loan £'000	% of lendable assets	% of assets under management
27,989	7.95	8.94

Concentration Data

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

Issuer	**2022 Market value of collateral received £'000**
Government of Japan	18,056
UK Treasury	10,829
Aviva	33
Scottish & Southern	29
JD Sports	24
China Shenhua	23
Meituan	21
Glencore	21
Convatec	21
Relx	21
	29,078

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

Counterparty	**2022 Market value of securities on loan £'000**
Barclays	12,959
HSBC	10,313
Morgan Stanley	3,744
Citigroup	249
Bank of Nova Scotia	241
JP Morgan	201
UBS	192
Natixis	90
	27,989

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 2022

Counterparty	Counterparty country of origin	Type	Quality	Collateral currency	Settlement basis	Custodian	Market value of collateral received £'000
Barclays	United Kingdom	Government Debt	Investment Grade	JPY	Tri-party	HSBC	13,607
HSBC	Hong Kong	Government Debt	Investment Grade	GBP	Bilateral	HSBC	9,942
		Government Debt	Investment Grade	GBP	Tri-party	HSBC	887
Morgan Stanley	United States	Government Debt	Investment Grade	JPY	Tri-party	HSBC	3,932
Citigroup	United States	Government Debt	Investment Grade	JPY	Tri-party	HSBC	263
Bank of Nova Scotia	Canada	Government Debt	Investment Grade	JPY	Tri-party	HSBC	253
UBS	Switzerland	Equity	Main Market Listing	HKD	Tri-party	HSBC	137
		Equity	Main Market Listing	USD	Tri-party	HSBC	50
		Equity	Main Market Listing	GBP	Tri-party	HSBC	45
		Equity	Main Market Listing	JPY	Tri-party	HSBC	3
		Equity	Main Market Listing	EUR	Tri-party	HSBC	2
		Equity	Main Market Listing	AUD	Tri-party	HSBC	1
JP Morgan	United States	Equity	Main Market Listing	GBP	Tri-party	HSBC	200
		Equity	Main Market Listing	EUR	Tri-party	HSBC	13
Natixis	France	Equity	Main Market Listing	JPY	Tri-party	HSBC	32
		Equity	Main Market Listing	USD	Tri-party	HSBC	29
		Equity	Main Market Listing	GBP	Tri-party	HSBC	26
		Equity	Main Market Listing	EUR	Tri-party	HSBC	10
							29,432

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
£78,000	£16,000	20%	£62,000	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 30) 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 2.5p 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.

Taxonomy Regulation

Regulation (EU) 2020/852 establishes the basis for the EU taxonomy. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities to provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In accordance with the Taxonomy Regulation, the Company confirms that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

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 30.

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 68).

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 2022	**118.1p**	**115.9p**	**104.5p**	**(11.5%)**	**(9.8%)**
At 30 September 2021[1]	144.6p	145.9p	131.5p	(9.1%)	(9.9%)

NAV with debt at par and fair value

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss (see note 11)	352,081	448,832
Current assets (see page 61)	10,623	9,601
Creditors amounts falling due within one year (see note 13)	(19,866)	(34,357)
Creditors amounts falling due after one year (see note 13)	(29,802)	(29,791)
NAV with debt at par (A)	**313,036**	**394,285**
Less: fair value of senior unsecured notes (see note 14.4)	(23,851)	(33,370)
Add back: amortised cost of senior unsecured notes	29,802	29,791
NAV with debt at fair value (B)	**318,987**	**390,706**
Ordinary shares in issue (see note 15) (C)	**270,185,650**	**270,185,650[1]**
NAV per ordinary share with debt at par (see page 75) (A/C x 100) (p)	**115.9**	**145.9[1]**
NAV per ordinary share with debt at fair value (B/C x 100) (p)	**118.1**	**144.6[1]**

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 75 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 there is no gearing.

		2022	2021
Investments held at fair value through profit or loss (page 69) (£'000)	(A)	352,081	448,832
Net assets (page 75) (£'000)	(B)	313,036	394,285
Gearing (C = A/B – 1) (%)	(C)	12.5	13.8

1. Comparative figures for 2021 have been restated to reflect the share split which took place on 7 February 2022

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.

	2022 £'000	2021 £'000
Management fees (note 5)	1,723	1,622
Other administrative expenses (note 6)	645	658
Less: non-recurring expenses	(77)	(152)
Ongoing charges	**2,291**	**2,128**
Average net assets[1]	**370,147**	**354,180**
Ongoing charge ratio	**0.62%**	**0.60%**

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 68).

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 68.

	NAV per share	Share price
NAV/Share Price per ordinary share at 30 September 2021 (pence[1])	144.6	131.5
NAV/Share Price per ordinary share at 30 September 2022 (pence)	118.1	104.5
Change in the year (%)	(18.3)	(20.5)
Impact of dividends reinvested (%)	4.8	5.2
Total return for the year	**(14.8)**	**(16.4)**

Yield

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

		30 September 2022	30 September 2021[1]
Annual dividend (pence)	(A)	6.100	6.025
Share price (pence)	(B)	104.5	131.5
Yield (C=A/B) (%)	(C)	5.8	4.6

1. Comparative figures for the year ended 30 September 2021 have been restated due to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022

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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