

Lowland Investment Company plc

Report for the half year ended 31 March 2010



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.

Policy

The Company's policy is to invest in a broad spread of predominantly UK companies of differing sizes with normally not more than half by value coming from the largest 100 UK companies and the balance from small and medium sized companies.

Financial Summary

	Half year ended 31 March 2010 (Unaudited)	Half year ended 31 March 2009 (Unaudited)	Year ended 30 September 2009 (Audited)
Net asset value per ordinary share	722.6p	414.4p	657.3p
Share price	618.0p	399.5p	610.0p
Market capitalisation	£163.3m	£105.5m	£161.1m
Revenue return per ordinary share	7.2p	8.0p	22.7p
Net dividends per ordinary share			
– Interim	10.0p	10.0p	10.0p
– Second Interim	–	–	16.5p
Number of shares in issue	26,417,427	26,417,427	26,417,427

Dividend

An interim dividend of 10.0 pence per ordinary share has been declared payable on 18 June 2010 to shareholders on the register of members at the close of business on 28 May 2010. The Company's shares will be quoted ex-dividend on 26 May 2010.

Interim Management Report

Chairman's Statement

Review

Over the six months to 31 March 2010 Lowland's Net Asset Value (NAV) total return was 13.4%, while the FTSE All-Share total return was 12.2%. The recovery in equities that started in March 2009 has continued during the period. The global economy has returned to growth which is improving the prospects for corporate earnings. Recent results from companies have generally been better than expected. Corporate debt has fallen substantially as management teams focus on cash generation. Costs have been reduced leading to better profit margins. This is most notable in the industrial area, which is well represented in the Lowland portfolio.

Dividend

The dividend for the period is being maintained at last year's level of 10p per share. This exceeds the revenue return per share for the period of 7.2p (2009: 8.0p). The Board has decided to use the revenue reserve to pay a maintained interim dividend as it expects the underlying dividends from the companies held in the portfolio to increase as the improved operating performances, referred to above, come through. The Board also proposes to use the revenue reserve, if necessary, at least to maintain the second interim, as Lowland's earnings recover.

Activity

The undervaluation of industrial companies has led to some increase in takeover activity. During the period there was a cash offer for Delta from Valmont of the USA, which was at a reasonable premium to the pre-bid price. The proceeds will be used to buy further good quality equities, particularly in the manufacturing area.

In the early part of the period we participated in several underwritings. The holding in Renold was increased as the result of a capital raising by the company. It has had a difficult time during the recession but is now recovering with a reduced cost base and real growth opportunities. The new capital will allow the company to expand.

Outlook

This is an interesting time to be writing about the outlook following the recent events in Greece, and the Eurozone generally, and the General Election in the UK, which has resulted in the first coalition government for many years. If the outcome of all these events turns out to be long overdue action to reduce the unsustainable deficits built up over the last two decades, this can only be a good thing, although it may lead to lower, or in the case of some countries, negative growth over the next two years.

The new government in the UK is faced with considerable economic problems. It is certain that taxes will go up, while public expenditure will be cut. This will subdue the economic recovery, but this does not mean there are not good investments and opportunities. The fall in sterling has boosted exporters' competitive position and many are making full use of this. The valuations of many companies remain modest as they reflect the difficult UK economic outlook. Over half the profits made by companies in our portfolio come from overseas and the global economy has returned to growth. The Portfolio Manager is therefore positive about the outlook and the prospects for dividend growth for the companies we hold.

Interim Management Report

continued

Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or performance of the Company during the period. Details of related party transactions are contained in the Annual Report and Financial Statements for the year ended 30 September 2009.

Principal Risks and Uncertainties

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

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

Information on these risks is given in the Directors' Report and the Notes to the Financial Statements in the Annual Report and Financial Statements.

In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

Directors' Responsibility Statement

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

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

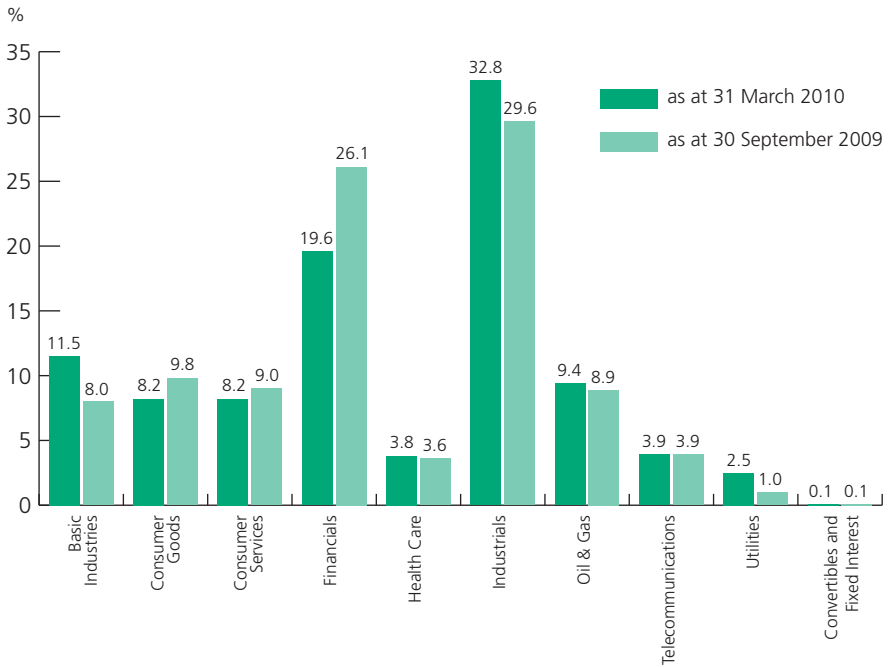
For and on Behalf of the Board

John Hancox
Chairman

19 May 2010

Portfolio Information

By Sector



Geographical Spread

The Company was invested in the following areas:

United Kingdom

Canada

%

97.8

2.2

100.0

Income Statement

for the half year ended 31 March 2010

	Revenue return £'000	(Unaudited) Half year ended 31 March 2010 Capital return £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	19,733	19,733
Income from investments held at fair value through profit or loss	3,120	–	3,120
Other interest receivable and similar income	64	–	64
Interest on VAT refunds	–	–	–
Gross revenue and capital gains/(losses)	3,184	19,733	22,917
Management fee	(432)	–	(432)
Write back of VAT	–	–	–
Other administrative expenses	(240)	–	(240)
Net return/(loss) on ordinary activities before finance charges and taxation	2,512	19,733	22,245
Finance charges	(597)	–	(597)
Net return/(loss) on ordinary activities before taxation	1,915	19,733	21,648
Taxation on net return on ordinary activities	(24)	–	(24)
Net return/(loss) on ordinary activities after taxation	1,891	19,733	21,624
Return/(loss) per ordinary share – basic and diluted (note 2)	7.2p	74.7p	81.9p

The total columns of this statement represent the Income Statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the half year ended 31 March 2010. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds.

Revenue return £'000	(Unaudited) Half year ended 31 March 2009		Revenue return £'000	(Audited) Year ended 30 September 2009	
	Capital return £'000	Total £'000		Capital return £'000	Total £'000
–	(66,690)	(66,690)	–	(3,764)	(3,764)
3,083	–	3,083	7,402	–	7,402
309	–	309	362	–	362
–	–	–	371	–	371
<u>3,392</u>	<u>(66,690)</u>	<u>(63,298)</u>	<u>8,135</u>	<u>(3,764)</u>	<u>4,371</u>
(527)	–	(527)	(1,030)	–	(1,030)
95	–	95	407	–	407
<u>(235)</u>	<u>–</u>	<u>(235)</u>	<u>(423)</u>	<u>–</u>	<u>(423)</u>
2,725	(66,690)	(63,965)	7,089	(3,764)	3,325
<u>(610)</u>	<u>–</u>	<u>(610)</u>	<u>(1,083)</u>	<u>–</u>	<u>(1,083)</u>
2,115	(66,690)	(64,575)	6,006	(3,764)	2,242
<u>(14)</u>	<u>–</u>	<u>(14)</u>	<u>(19)</u>	<u>–</u>	<u>(19)</u>
<u>2,101</u>	<u>(66,690)</u>	<u>(64,589)</u>	<u>5,987</u>	<u>(3,764)</u>	<u>2,223</u>
<u>8.0p</u>	<u>(252.5p)</u>	<u>(244.5p)</u>	<u>22.7p</u>	<u>(14.3p)</u>	<u>8.4p</u>

Reconciliation of Movements in Shareholders' Funds

for the half year ended 31 March 2010

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

	(Unaudited)					
	Half year ended 31 March 2009					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2008	6,604	53,561	1,007	107,833	9,406	178,411
Net (loss)/return on ordinary activities after taxation	-	-	-	(66,690)	2,101	(64,589)
Final dividend (16.5p) for the year ended 30 September 2008	-	-	-	-	(4,359)	(4,359)
At 31 March 2009	6,604	53,561	1,007	41,143	7,148	109,463

	(Audited)					
	Year ended 30 September 2009					
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2008	6,604	53,561	1,007	107,833	9,406	178,411
Net (loss)/return on ordinary activities after taxation	-	-	-	(3,764)	5,987	2,223
Final dividend (16.5p) for the year ended 30 September 2008	-	-	-	-	(4,359)	(4,359)
Interim dividend (10.0p) for the year ended 30 September 2009	-	-	-	-	(2,642)	(2,642)
At 30 September 2009	6,604	53,561	1,007	104,069	8,392	173,633

Purchase transaction costs for the half year ended 31 March 2010 were £101,000 (half year ended 31 March 2009: £127,000; year ended 30 September 2009: £208,000). Sale transaction costs for the half year ended 31 March 2010 were £27,000 (half year ended 31 March 2009: £50,000; year ended 30 September 2009: £71,000). These comprise mainly stamp duty and commission.

Balance Sheet

as at 31 March 2010

	(Unaudited) 31 March 2010 £'000	(Unaudited) 31 March 2009 £'000	(Audited) 30 September 2009 £'000
Fixed assets			
Investments held at fair value through profit or loss	215,210	125,816	193,940
Current assets			
Debtors	872	979	1,357
Cash at bank and on deposit	3,547	494	2,334
	4,419	1,473	3,691
Creditors: amounts falling due within one year	(28,730)	(11,826)	(23,998)
Net current liabilities	(24,311)	(10,353)	(20,307)
Total assets less current liabilities	190,899	115,463	173,633
Creditors: amounts falling due after more than one year	–	(6,000)	–
Total net assets	190,899	109,463	173,633
Capital and reserves			
Called up share capital	6,604	6,604	6,604
Share premium account	53,561	53,561	53,561
Capital redemption reserve	1,007	1,007	1,007
Other capital reserves	123,802	41,143	104,069
Revenue reserve	5,925	7,148	8,392
Total equity shareholders' funds	190,899	109,463	173,633
Net asset value per ordinary share (note 4)	722.6p	414.4p	657.3p

The notes on pages 9 and 10 form an integral part of this condensed interim financial information.

Cash Flow Statement

for the half year ended 31 March 2010

	(Unaudited) Half year ended 31 March 2010 £'000	(Unaudited) Half year ended 31 March 2009 £'000	(Audited) Year ended 30 September 2009 £'000
Net cash inflow from operating activities	2,818	4,058	8,074
Net cash outflow from servicing of finance	(662)	(631)	(1,021)
Net tax recovered	36	–	–
Net cash (outflow)/inflow from purchases and sales of investments	(1,887)	16,884	11,719
Equity dividends paid	(4,358)	(4,359)	(7,001)
Net cash (outflow)/inflow before financing	(4,053)	15,952	11,771
Net cash inflow/(outflow) from financing	5,277	(16,584)	(10,586)
Increase/(decrease) in cash	1,224	(632)	1,185
Reconciliation of operating revenue to net cash flow from operating activities			
Total return/(loss) before finance charges and taxation	22,245	(63,965)	3,325
(Less)/add: capital (gain)/loss before finance charges and taxation	(19,733)	66,690	3,764
Net revenue return before finance charges and taxation	2,512	2,725	7,089
Decrease in accrued income	431	695	373
Decrease in other debtors	–	779	779
Decrease in creditors	(82)	(65)	(65)
Income tax suffered on property income dividends	(19)	(19)	(45)
Stock dividend included in investment income	–	(24)	(24)
Overseas withholding tax	(24)	(33)	(33)
Net cash inflow from operating activities	2,818	4,058	8,074
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash as above	1,224	(632)	1,185
Cash (inflow)/outflow from movement in loans	(5,277)	16,584	10,586
Exchange movements	(11)	10	33
	(4,064)	15,962	11,804
Net debt at the beginning of the period	(20,666)	(32,470)	(32,470)
Net debt at the end of the period	(24,730)	(16,508)	(20,666)
Represented by:			
Cash at bank less bank overdrafts	3,547	494	2,334
Debt falling due within one year	(28,277)	(11,002)	(23,000)
Debt falling due after more than one year	–	(6,000)	–
	(24,730)	(16,508)	(20,666)

Notes

1. Accounting policies

The financial statements have been prepared using the same accounting policies as set out in the Company's Report and Financial Statements for the year ended 30 September 2009.

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

2. Return/(loss) per ordinary share – basic and diluted

	(Unaudited) Half year ended 31 March 2010 £'000	(Unaudited) Half year ended 31 March 2009 £'000	(Audited) Year ended 30 September 2009 £'000
The return/(loss) per ordinary share is based on the following figures:			
Revenue return	1,891	2,101	5,987
Capital return/(loss)	19,733	(66,690)	(3,764)
Total	21,624	(64,589)	2,223
Weighted average number of ordinary shares in issue for each period	26,417,427	26,417,427	26,417,427
Revenue return per ordinary share	7.2p	8.0p	22.7p
Capital return/(loss) per ordinary share	74.7p	(252.5p)	(14.3p)
Total	81.9p	(244.5p)	8.4p

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

3. Expenses

All expenses are charged wholly to revenue. Expenses which are incidental to the purchase or sale of an investment are included in the cost or deducted from the proceeds of sale of the investment.

4. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £190,899,000 (31 March 2009: £109,463,000; 30 September 2009: £173,633,000) and on 26,417,427 ordinary shares (31 March 2009: 26,417,427; 30 September 2009: 26,417,427) being the number of ordinary shares in issue at the end of each period.

Notes

continued

5. VAT on management fees

While the Company has received back from HMRC 100% of the VAT which had been borne by the Company between 1990 and 1996, and 2000 and 2007, as well as simple interest on those amounts, there remains an amount outstanding relating both to VAT reclaims for 1996 to 2000 and compound interest for 1990 to 2007 which has not been recognised. It is uncertain whether any further amounts will be recovered.

6. Interim dividend

An interim dividend of 10.0p per ordinary share has been declared and will be paid on 18 June 2010 to shareholders on the register of members on 28 May 2010. The ex-dividend date is 26 May 2010.

7. Going concern

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

8. Comparative information

The financial information contained in this half year report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The financial information for the half years ended 31 March 2010 and 31 March 2009 has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30 September 2009 have been extracted from the latest audited financial statements of the Company. These financial statements have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

Twenty Largest Equity Investments

at 31 March 2010

£'000	Company	Main Activity	% of Total Portfolio
11,374	Senior	Aerospace	5.3
10,598	BP	Oil Exploration and Marketing	4.9
9,531	Royal Dutch Shell	Oil Exploration and Marketing	4.4
7,051	Carclo	Engineering	3.3
5,780	Aviva	Life Insurance/Assurance	2.7
5,732	Meggitt	Aerospace	2.7
5,695	GlaxoSmithKline	Pharmaceuticals	2.6
4,880	Hill & Smith	Engineering	2.3
4,710	Hiscox	Insurance	2.2
4,558	Canfor Pulp	General Industrials	2.1
4,522	Vodafone	Telecommunications	2.1
4,520	BHP Billiton	Mining	2.1
4,451	Croda	Chemicals	2.1
4,319	Interserve	Support Services	2.0
3,864	GKN	Automobiles and Parts	1.8
3,780	Inmarsat	Mobile Telecommunications	1.8
3,507	HSBC	Banks	1.6
3,483	Daily Mail & General	Media	1.6
3,235	Balfour Beatty	Construction and Materials	1.5
3,075	Diageo	Beverages	1.4
			50.5

The above investments total £108,665,000 or 50.5% of the portfolio.

Directors and Other Information

Directors

John P D Hancox* (Chairman)
Rupert G M L Barclay*#
Kevin J Carter*#
Karl S Sternberg*#
Peter J C Troughton*#

*Independent non-executive director and a member of the Management Engagement Committee and the Nominations Committee.

#Member of the Audit Committee.

The Management Engagement Committee and the Nominations Committee are chaired by Mr Hancox and the Audit Committee by Mr Barclay.

Investment Manager

Henderson Global Investors Limited, authorised and regulated by the Financial Services Authority

Portfolio Manager

James H Henderson

Deputy Portfolio Manager

Ben Lofthouse

Secretary

Henderson Secretarial Services Limited, represented by Wendy King, FCIS

Registered Number

Registered in England and Wales No. 670489

The Company is a member of

aic

The Association of
Investment Companies

Registered Office

201 Bishopsgate
London EC2M 3AE
Telephone: 020 7818 1818

Independent Auditor

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London SE1 2RD

Stockbroker

JP Morgan Cazenove
10 Aldermanbury
London EC2V 7RF

Registrar

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1117

Information

The share price, net asset value and other information can be found on the website: **www.lowlandinvestment.com** The market price of the Company's ordinary shares is quoted in the Financial Times and other leading newspapers. The London Stock Exchange Daily Official List (SEDOL) Code is 0536806. Investors with share certificates can check their shareholding with our registrars, Computershare Investor Services PLC. The link can be found via **www.computershare.com**



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