**LOWLAND INVESTMENT COMPANY PLC**

**ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2022**

*This announcement contains regulated information.*

**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.

**Key Data as at 30 September 2022**
- **Net Asset Value ('NAV') Total Return[1] of -14.8%**
- **Benchmark Total Return[2] of -4.0%**
- **Dividend growth of 1.2%**
- **Dividend for the Year[3] of 6.10p**

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

[1] NAV 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 the year end
[7] Calculated using year end fair value NAVs including current year revenue

Sources: Morningstar Direct, Janus Henderson, Refinitiv Datastream

**Historical 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 |

| Year ended 30 September | Dividend per ordinary share (pence)[1] | Total return/(loss) per ordinary share (pence)[1] | Net revenue return per ordinary share (pence)[1] | Total net assets (£'000) | Net asset value per ordinary share (pence)[1] | Share price per ordinary share (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

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 overweight position 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.

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 charge
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 of the annual report.

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 in the annual report.

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

Annual General Meeting ('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 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

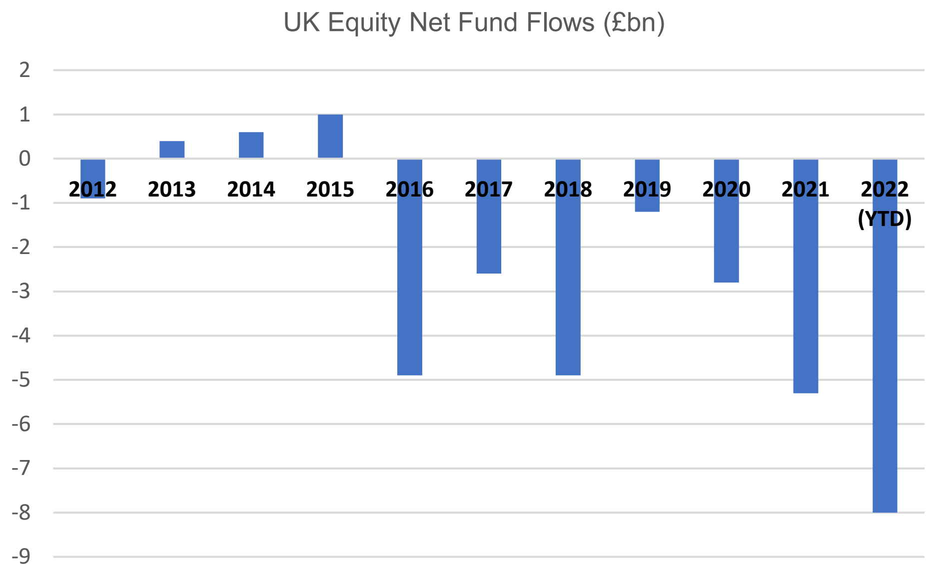
**FUND MANAGER'S REPORT**

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.




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

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 below).

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 below 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 the among main drivers of relative underperformance.

From the table below 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 below), 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.

| | 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 SmallCap** | 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.

<u>The top ten contributors to relative returns were:</u>

| 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.

<u>The largest ten detractors from relative return were:</u>

| 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) |

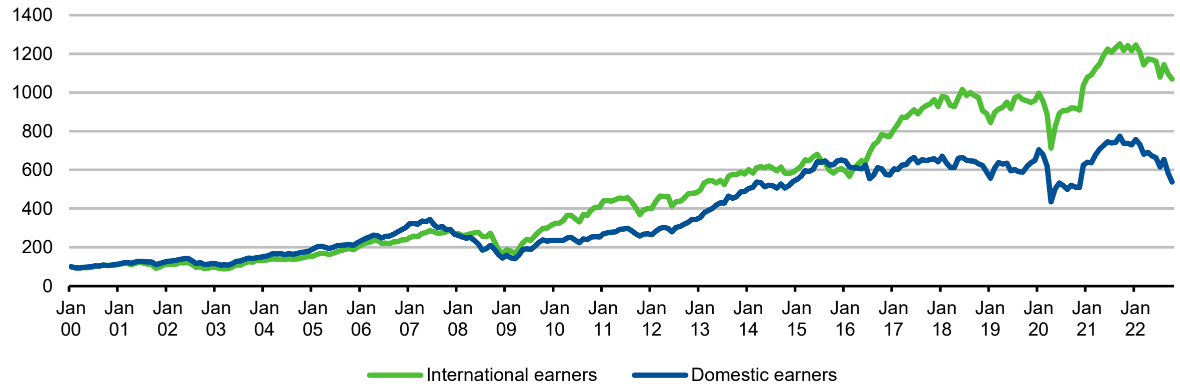
Examining each of these largest detractors:

- **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.

<u>Addressing longer-term performance</u>

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.




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 below). 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 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 in the annual 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. 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

**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** | **Approx. market cap** | **Valuation 2022 £'000** |
|---|---|---|---|---|
| **1** (1) | **Shell**<br>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 | **12,356** |
| **2** (9) | **BP**<br>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 | £85.8 bn | **10,611** |
| **3** (13) | **HSBC**<br>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 | **7,850** |
| **4** (2) | **GSK**<br>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 | **7,626** |
| **5** (16) | **National Grid**<br>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 | **7,602** |
| **6** (*) | **Standard Chartered**<br>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 | **7,529** |
| **7** (10) | **Direct Line**<br>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 | **7,511** |
| **8** (3) | **Phoenix**<br>The company operates primarily in the UK and specialises in taking over and managing closed life insurance and pension funds. | 2.1 | £5.5bn | **7,490** |
| **9** (17) | **Anglo American**<br>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 | **7,386** |
| **10** (12) | **Vodafone** | 1.9 | £27.2bn | **6,793** |

| | | | | |
|---|---|---|---|---|
| | 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. | | | |
| **11** (*) | **FBD**<br>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 | **6,757** |
| **12** (*) | **Serica Energy**<br>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 | **6,705** |
| **13** (18) | **Irish Continental**<br>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 | **6,366** |
| **14** (*) | **Rio Tinto**<br>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 | **6,120** |
| **15** (6) | **K3 Capital**<br>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 | **6,095** |
| **16** (20) | **NatWest**<br>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 | **6,080** |
| **17** (11) | **Aviva**<br>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 | **5,901** |
| **18** (*) | **Barclays**<br>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 | **5,772** |
| **19** (*) | **BAE Systems**<br>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 | **5,726** |

| | | | | |
|---|---|---|---|---|
| **20** (19) | **M&G**<br>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 | **5,661** |
| | | | | **143,937** |

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

* Not in the top twenty largest investments last year

**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**<br>The war in Ukraine has heightened tensions across the world, and significantly increased volatility in equity markets.<br><br>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**<br>The residual impact of the coronavirus pandemic on the Company's investments and its direct and indirect effects, including the effect on the global economy. | The Fund Managers maintain close oversight of the Company's portfolio, and in particular its gearing levels, and the performance of investee companies. Regular stress testing of the revenue account under different scenarios for dividends is carried out. The Board monitors the effects of the pandemic on the operations of the Company and its service providers to ensure that they continue to be appropriate, effective and properly resourced. |
| **Investment activity and strategy risk**<br>An inappropriate investment strategy or poor execution, for example, in terms of asset allocation or level of gearing, may result in underperformance against the Company's benchmark index and the companies in its peer group, and also in the Company's shares trading on a wider discount to the net asset value per share. | The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. Janus Henderson operates in accordance with investment limits and restrictions and policy determined by the Board, which includes limits on the extent to which borrowings may be employed.<br><br>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.<br>Investment strategy is reviewed at each meeting. |
| **Portfolio and market price**<br>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.<br><br>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**<br>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. |
| **Financial risk**<br>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 see note 14 in the Annual Report. |
| **Gearing risk**<br>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.<br><br>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**<br>Changes in the tax and regulatory environment could adversely affect the Company's financial performance, including the return on equity.<br><br>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**<br>Disruption to, or failure of, the Manager's or its administrator's (BNP Paribas Securities Services) accounting, dealing or payment | 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. |

| | |
|---|---|
| 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. | Cyber security is closely monitored and the Audit Committee receives an annual presentation from Janus Henderson's Head of Information Security.<br><br>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 in the Annual Report. |

**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**

**RELATED PARTY TRANSACTIONS**
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 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.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
In accordance with Disclosure Guidance and Transparency Rule 4.1.12, each of the Directors confirms that, to the best of his or 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.

For and on behalf of the Board

Robert Robertson
Chairman
12 December 2022

**INCOME STATEMENT**

| | **Year ended 30 September 2022** | | | Year ended 30 September 2021 | | |
|---|---|---|---|---|---|---|
| | **Revenue return £'000** | **Capital return £'000** | **Total £'000** | Revenue return £'000 | Capital return £'000 | Total £'000 |
| (Losses)/gains on investments held at fair value through profit or loss (note 2) | **-** | **(79,801)** | **(79,801)** | - | 121,353 | 121,353 |
| Income from investments (note 3) | **18,666** | **-** | **18,666** | 13,591 | 319 | 13,910 |
| Other interest receivable and similar income (note 4) | **70** | **-** | **70** | 93 | - | 93 |
| **Gross revenue and capital (losses)/gains** | **18,736** | **(79,801)** | **(61,065)** | 13,684 | 121,672 | 135,356 |
| Management fee | **(862)** | **(861)** | **(1,723)** | (811) | (811) | (1,622) |
| 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 |
| 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 |
| 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 |
| Return/(loss) per ordinary share – basic and diluted[1] (note 5) | **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 other than those disclosed in the Income Statement. The net return is both the profit for the year and the total comprehensive income.

**STATEMENT OF CHANGES IN EQUITY**

| **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 £'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 the sub-division of shares** | | | | **(23)** | **-** | **(23)** |
| **Third interim dividend (1.5p[1]) for the year ended 30 September 2021 paid 29 October 2021** | **-** | **-** | **-** | **-** | **(4,053)** | **(4,053)** |
| **Final dividend (1.525p[1]) for the year ended 30 September 2021 paid 31 January 2022** | **-** | **-** | **-** | **(1,513)** | **(2,607)** | **(4,120)** |
| **First interim dividend (1.525p) for the year ended 30 September 2022 paid 29 April 2022** | **-** | **-** | **-** | **-** | **(4,120)** | **(4,120)** |
| **Second interim dividend (1.525p) for the year ended 30 September 2022 paid 29 July 2022** | **-** | **-** | **-** | **-** | **(4,120)** | **(4,120)** |
| **Return of unclaimed dividends** | **-** | **-** | **-** | **-** | **15** | **15** |
| | **---------** | **----------** | **----------** | **-----------** | **----------** | **----------** |
| **At 30 September 2022** | **6,755** | **61,619** | **1,007** | **235,389** | **8,266** | **313,036** |
| | **=====** | **=====** | **=====** | **======** | **=====** | **======** |

[1] Comparative figures have been restated due to the sub-division of each ordinary share of 25p each into ten ordinary shares of 2.5p on 7 February 2022

| 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 £'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 |
| Third interim dividend (1.5p[1]) for the year ended 30 September 2020 paid 30 October 2020 | - | - | - | - | (4,053) | (4,053) |
| Final dividend (1.5p[1]) for the year ended 30 September 2020 paid 29 January 2021 | - | - | - | - | (4,053) | (4,053) |

| | | | | | | |
|---|---|---|---|---|---|---|
| First interim dividend (1.5p[1]) for the year ended 30 September 2021 paid 30 April 2021 | - | - | - | - | (4,053) | (4,053) |
| Second interim dividend (1.5p[1]) for the year ended 30 September 2021 paid 31 July 2021 | - | - | - | - | (4,053) | (4,053) |
| Return of unclaimed dividends | - | - | - | - | 30 | 30 |
| | --------- | ---------- | ---------- | ----------- | ---------- | ---------- |
| At 30 September 2021 | **6,755** | **61,619** | **1,007** | **318,244** | **6,660** | **394,285** |
| | ===== | ===== | ===== | ====== | ===== | ====== |

[1] Comparative figures have been restated due to the sub-division of each ordinary share of 25p each into ten ordinary shares of 2.5p on 7 February 2022

## STATEMENT OF FINANCIAL POSITION

| | As at 30 September 2022 £'000 | As at 30 September 2021 £'000 |
|---|---|---|
| **Fixed assets** | | |
| **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** | | |
| Debtors | **1,228** | 1,625 |
| Cash at bank | **9,395** | 7,976 |
| | **10,623** | 9,601 |
| **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 |
| **Creditors: amounts falling due after one year** | **(29,802)** | (29,791) |
| **Net assets** | **313,036** | 394,285 |
| **Capital and reserves** | | |
| Called up share capital | **6,755** | 6,755 |
| Share premium account | **61,619** | 61,619 |
| Capital redemption reserve | **1,007** | 1,007 |
| Other capital reserves | **235,389** | 318,244 |
| Revenue reserve | **8,266** | 6,660 |
| **Total shareholders' funds** | **313,036** | 394,285 |
| **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 to the sub-division of each ordinary share of 25p into ten ordinary shares of 2.5p each on 7 February 2022.

## 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)

## 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 201 Bishopsgate, London, EC2M 3AE.

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 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 of the investments in active markets and therefore reflect participant' 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, the 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 the 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.

### 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 |

**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. 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.

| | **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[1]** | **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

## 6. 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 | 31 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) | - |
| | | | --------- | --------- |
| | | | **16,398** | **16,182** |
| | | | **=====** | **=====** |

[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 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 dividend for the year | 16,491 |
| First interim dividend (1.525p) for the year ended 30 September 2022 | (4,120) |
| Second interim dividend (1.525p) for the year ended 30 September 2022 | (4,120) |
| Third interim dividend (1.525.0p) 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**[1] |
| | **=====** |

[1] The residual will be transferred to the revenue reserve (2021: transfer from revenue reserve £3,198,000 and from the capital reserve £1,513,000)

## 7. 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).

**8. 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.

[1] Comparative numbers for the year ended 30 September 2022 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 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** |
| | ====== | ====== |

**9. 2022 Financial Information**

The figures and financial information for the year ended 30 September 2022 are extracted from the Company's annual financial statements for that period and do not constitute statutory accounts. The Company's annual financial statements for the year to 30 September 2022 have been audited but have not yet been delivered to the Registrar of Companies. The Independent Auditor's Report on the 2022 annual financial statements was unqualified, did not include reference to any matter to which the Auditor drew attention without qualifying the report, and did not contain any statements under sections 498(2) or 498(3) of the Companies Act 2006.

**10. 2021 Financial Information**

The figures and financial information for the year ended 30 September 2021 are extracted from the Company's annual financial statements for that period and do not constitute statutory accounts. The Company's annual financial statements for the year to 30 September 2021 have been audited and filed with the Registrar of Companies. The Independent Auditor's Report on the 2021 annual financial statements was unqualified, did not include reference to any matter to which the Auditor drew attention without qualifying the report, and did not contain any statements under sections 498(2) or 498(3) of the Companies Act 2006.

**11. Dividend**

The final dividend, if approved by the shareholders at the Annual General Meeting, of 1.525p per ordinary share will be paid on 31 January 2023 to shareholders on the register of members at the close of business on 30 December 2022. This will take the total dividends for the year to 6.10p (2021: 6.025p[1]). The Company's shares will be traded ex-dividend on 29 December 2022.

[1] Comparative numbers for the year ended 30 September 2022 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.

**12. Annual Report**

The Annual Report will be posted to shareholders in December 2022 and will be available on the Company's website (www.lowlandinvestment.com).

**13. Annual General Meeting**

The Annual General Meeting will be held on 25 January 2023 at 12.30pm at 201 Bishopsgate, London EC2M 3AE. The Notice of Meeting will be sent to shareholders with the Annual Report.

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