Lowland Investment Company plc

Annual Report and Financial Statements for the year ended 30 September

2008

Lowland Investment Company plc

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.

Benchmark

The FTSE All-Share Index.

A factsheet which is updated each month may be accessed on www.lowlandinvestment.com

Financial Highlights

	Year ended 30 September 2008	Year ended 30 September 2007	Change %
Net asset value per ordinary share	**675.4p**	1,044.3p	-35.3
Dividends per ordinary share:			
Interim paid	**10.0p**	9.0p	+11.1
Final proposed	**16.5p**	14.5p	+13.8
Total	**26.5p**	23.5p	+12.8
Share price per ordinary share	**625.0p**	1,091.0p	-42.7
Revenue return per ordinary share	**33.0p**	27.9p	+18.3
Issued share capital	**26,417,427**	26,417,427	–
Market capitalisation	**£165.1m**	£288.2m	-42.7
Gearing*	**15.8%**	1.4%	
Total Expense Ratio (excluding VAT write back)*	**0.74%**	0.72%	

*See Glossary of Terms for definitions on page 55

Dividend

The recommended final dividend of 16.5p per ordinary share will, if approved at the Annual General Meeting, be paid on 22 December 2008 to shareholders on the register of members at the close of business on 21 November 2008. The Company's shares will be quoted ex-dividend on 19 November 2008.

Contents

Chairman's Statement

For the year ended 30 September 2008, Lowland's net asset value fell by 35.3%, its revenue return per share increased by 18.3% and it is recommended that the dividend be increased by 12.8%.

Performance for the year to 30 September 2008

Assets

During the year the Company's net asset value fell from 1044.3p to 675.4p, a decrease of 35.3%, which compares with a fall in the Company's benchmark, the FTSE All-Share Index, of 25.1%. The underperformance is disappointing, but this is the first time in 10 years that the net asset value has not outperformed the FTSE All-Share Index. The long term outperformance is shown on the chart on page 11.

Earnings and Dividend

The outcome for revenue return was in marked contrast to the capital performance. The revenue return per share was 33.0p, a rise of 18.3%, compared with the 27.9p achieved last year. The recommended final dividend is 16.5p per ordinary share, making a total dividend for the year of 26.5p, an increase of 12.8% from last year's 23.5p.

This level of dividend is near to the minimum permissible under Investment Trust rules which requires that the trust retains not more than 15% of income from shares and securities in any year. The reason we have decided to pay the minimum is partly that this year's earnings have benefited from the inclusion of £831,000 (equivalent to approximately 3p per share) from the one off VAT reclaim relating to prior years, explained in my half year statement, and partly by the likelihood that dividends from companies held in our portfolio will be lower overall next year. The income received from the banking and house building sectors, for example, will be markedly down. However, the boost to our revenue reserve from this year's retained earnings will take it to in excess of one year's dividend payment. The Board believes that this will mean that, barring unforeseen circumstances, our progressive dividend policy will be able to continue. The dividend has increased every year since 1966.

Investment Report

The Portfolio Manager's report on pages 5 to 6 deals with the activity during the year and shows where value was lost or gained. Our bias towards smaller companies and value situations did not serve our performance well during the year under review. In periods of economic slowdown, cyclical companies suffer and for this reason many of our cyclical holdings were sold and the portfolio was degeared during 2007. Towards the end of 2007, after the initial market fall and the start of a decline in interest rates, the manager began to believe strongly that the worst was over and became a net buyer of equities for the Company reintroducing gearing to the portfolio which at the year end of 30 September 2008, stood at 15.8%. The shares bought, including clearing banks, property and house building companies, had mostly retreated considerably from their peaks in the early part of 2007 and if this had been a normal cyclical correction this should have proved a winning policy. However, this has not been a normal slowdown and the problems in parts of the banking sector did not respond to the treatment of interest rate cuts. As we have seen, the contagion has affected the global banking system and has now begun also to affect the wider economy. With the benefit of hindsight, the extent of the problem, of a scale not experienced since the 1974 crisis, was underestimated.

The Board

We are delighted that Karl Sternberg has agreed to join the Board in January 2009. He is a Director of JP Morgan Income & Growth Investment Trust Plc and Chief Investment Officer and Chairman of the Investment Committee of Oxford Investment Partners Limited (OXIP). Before establishing OXIP, he was Chief Investment Officer for Deutsche Asset Management (Europe and Asia Pacific), one of the largest fund management companies in Europe. He will bring considerable and varied investment experience which will complement the balance of the Board. We will continue to plan for the succession and refreshment of the Board over the next few years.

Annual General Meeting

At the Annual General Meeting on Thursday 18 December 2008, one of the items of special business to be put to the shareholders is a special resolution to adopt new articles of association to reflect the provisions of the Companies Act 2006. Further details on this and the other items of special business are contained in the Report of the Directors and an explanation of the main changes between the proposed and the new articles of association is set out in the Appendix to the Notice of Annual General Meeting on pages 53 to 54. As usual our Portfolio Manager, James Henderson, will be making a presentation and all shareholders are most welcome to attend.

Chairman's Statement
continued

Outlook

It has been a very difficult period for equities as credit markets have moved rapidly from being excessively easy to being excessively tight. This has resulted in a banking crisis of extraordinary proportions which is being tackled by concerted global action but will have potentially serious implications for the world's economy next year and beyond. Since our year end, as at 6 November 2008, the FTSE All-Share Index has fallen by 13.5% and Lowland's net asset value has fallen by 23.2%. Some smaller companies have suffered very severe falls which the Investment Manager believes will in most cases prove unjustified.

Compared with 1974, the UK economy is not suffering the high levels of inflation it experienced then nor are the problems, outside the financial sector, yet as severe. The discipline of holding stocks that will pay growing dividends is one that should continue to work. Good and bad companies have experienced falling stock prices regardless of their prospects but those with good dividend potential will see their share prices appreciate. The predominant focus in stock selection is to identify these companies. We believe confidence will return and we will stick to our approach which, aided by a reasonable level of gearing, should lead to good returns again being achieved.

John Hancox
Chairman
11 November 2008

Portfolio Manager's Report

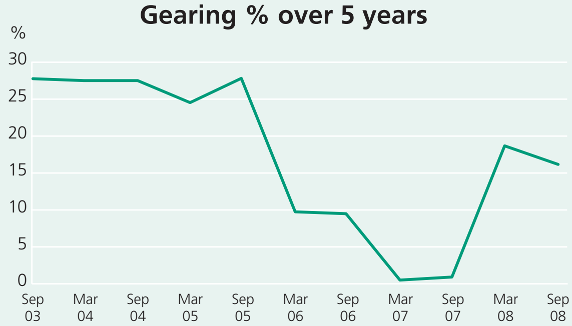
Review

The fall in share prices since we last reported has been substantial. It has been especially large in the shares of smaller companies or of those that are considered sensitive to difficult economic conditions. The change in the climate has been brought about by an extreme contraction in the availability of credit. The swing from the excessive looseness in credit of recent years to the current condition has been extraordinary. During the latter stages of the upswing we had been a net seller of equities and had paid down borrowings. However, towards the end of 2007 and during the first half of 2008 we returned to buying equities. Dividend yields were attractive and discounts to the apparent asset valuations were high. Had this been a normal economic slowdown, in which the economy responds to falls in interest rates, this might have been the correct policy. However, what has unfolded is not a normal slowdown. Instead of confidence rebuilding during the summer it was dealt a series of jolts that led to banks curtailing their lending to one another and culminated, via major financial institutions failing, in a comprehensive bank refinancing package that will make the Government large shareholders in some major banks. The original equity owners will be heavily diluted and dividends will be severely restricted for some years. In retrospect the buying of banks stocks earlier in the year was a large mistake. I believed that the position of the banks would not deteriorate as badly as has happened without them having experienced a severe increase in bad debts from their underlying corporate and retail loan books. Large levels of defaults have not occurred but now, because of the problems in the banking sector, the possibility of it happening has increased. With hindsight the banks created their own liquidity problem by overleveraging their balance sheets and buying back shares. My error was to be looking at corporate and personal defaults as the likely problem for banks rather than realising the banks' own balance sheets had become too illiquid.

The mistakes of the banking sector have totally dominated equity investors thinking and will create real problems for all economic activities. During last year the performance in operating terms of most sectors outside banking was strong. Earnings and dividend growth have mainly been coming in at around best expectations. It is not untypical for companies during the year to have reported 10% profits growth and seen their share price fall by half. This is because investors are focussing on the recessionary implications of the current financial turmoil. For the observer of UK companies it will be fascinating to watch how well they cope with the recession. I believe that in aggregate the companies in the portfolio have sound robust business models that will weather the conditions better than their current stock prices would suggest. The investment approach of being focused on value and a considerable weighting in smaller companies has worked against the portfolio over the last year. The strategy has added value in the past and will no doubt do so again when investor confidence returns.

The Portfolio

Gearing % over 5 years



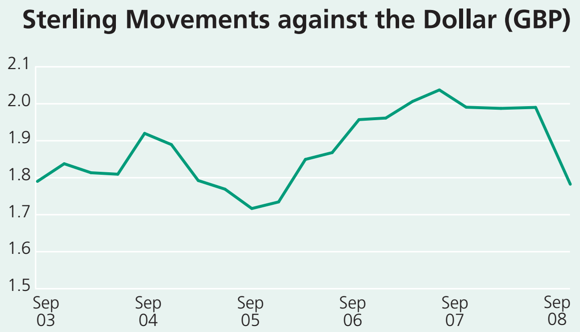
Two areas that feature strongly in the portfolio are industrial and general insurance companies. UK industrial companies have dealt very well with the adverse conditions of recent years. They experienced a very marked increase in costs as raw materials such as oil and steel, as well as utility bills increased. The problems this brought were compounded by dollar weakness making selling into dollar based economies difficult. The profits growth achieved in these conditions was impressive and now most of the adverse factors have gone into reverse: raw material prices have fallen and the dollar has risen. If it had not been for the impending recession they would be looking at a period of strong profit growth. The share price falls in this area have been very marked. Hence unless this recession is of an unusually great depth and severity the current share prices are offering substantial value. The companies are going into the downturn in good shape.

Insurance stocks are on a completely different cycle to the industrials. Their cycle is on the way up. Capital in the insurance industry has been much reduced yet the need for insurance cover, as illustrated by the recent high levels of claims is growing. This will push up premium rates in some classes of business. Therefore the companies with a robust underwriting culture should show strong profit growth. The share prices have been falling as investors desert any risk taking activity and this is creating a major opportunity.

Portfolio Manager's Report

continued

Future

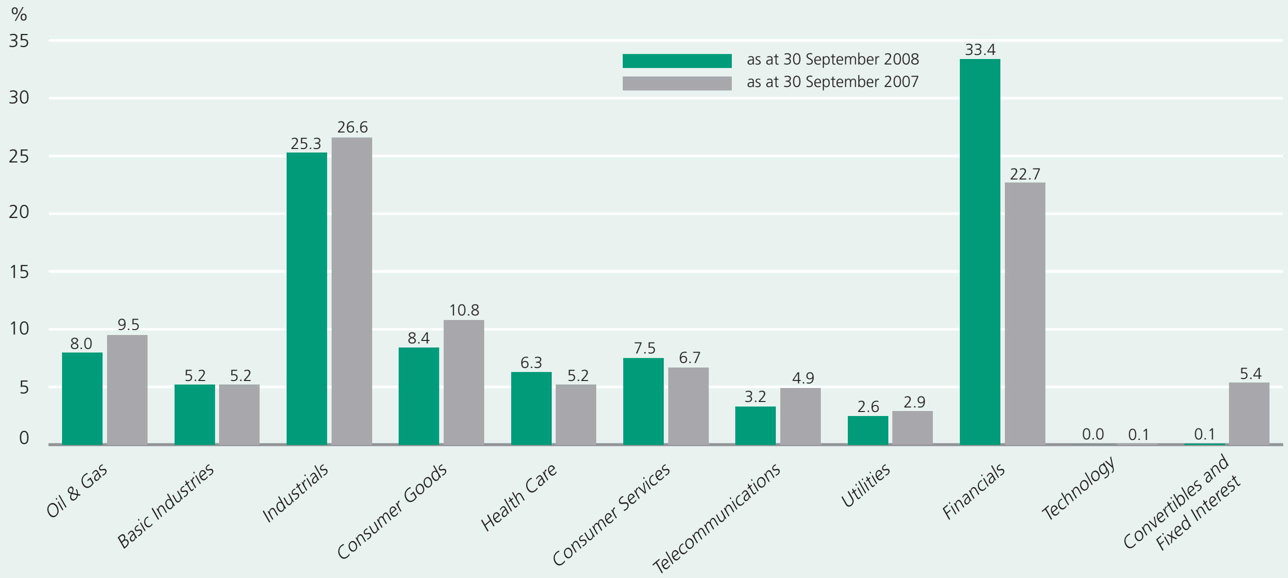


The portfolio at the period end had very little exposure to mining. Commodity prices had been pushed up earlier in the year by speculative and financial buying. This has now unwound with a vengeance as the bubbles deflated as leverage was withdrawn. The oil price, for instance, has halved from the middle of July to the middle of October. The commodity producers' share prices have fallen back as a result but as financial buyers drove these prices up too far so they are now driving them back down below their long term equilibrium. Therefore since the period end **Anglo American** and **RTZ** have been bought back into the portfolio. This is in line with the investment approach of buying stocks with good long term dividend growth prospects on low valuations.

In investment, things generally are never usually as good or as bad as they seem at the time. The pendulum has swung to extreme gloom and we failed to realise that this would happen. However, we need to use the current situation to refresh the portfolio and recover after a very poor year.

James Henderson
Portfolio Manager
11 November 2008

Portfolio by Sector



Twenty Largest Holdings

at 30 September 2008

Rank (2008)	Rank (2007)		Valuation 2007 £'000	Purchases £'000	Sales £'000	(Depreciation)/ appreciation £'000	**Valuation 2008 £'000**
1	(1)	BP	13,336	–	(2,776)	(1,744)	**8,816**
2	(3)	Senior	11,711	–	–	(3,166)	**8,545**
3	(4)	HSBC	9,271	917	(1,761)	(318)	**8,109**
4	(2)	Royal Dutch Shell	12,072	–	(3,533)	(2,227)	**6,312**
5	(8)	GlaxoSmithKline	6,388	–	–	(424)	**5,964**
6	(13)	Royal Bank of Scotland	4,943	4,254	–	(3,310)	**5,887**
7	(19)	Aviva	4,048	3,366	–	(2,134)	**5,280**
8	(15)	AstraZeneca	4,286	2,291	(1,862)	205	**4,920**
9	(*)	Barclays	1,340	5,258	(646)	(1,228)	**4,724**
10	(18)	Hiscox	4,082	320	–	(471)	**3,931**
11	(10)	Carclo	5,540	–	–	(1,762)	**3,778**
12	(16)	Amlin	4,179	–	(284)	(344)	**3,551**
13	(7)	Vodafone	7,722	–	(2,357)	(1,837)	**3,528**
14	(11)	Hill & Smith	5,118	–	–	(1,728)	**3,390**
15	(*)	Novae	3,223	581	–	(421)	**3,383**
16	(12)	Meggitt	5,076	439	–	(2,200)	**3,315**
17	(*)	Inmarsat Ventures	2,968	–	–	190	**3,158**
18	(9)	Renold	6,045	–	–	(3,023)	**3,022**
19	(*)	Tesco	3,294	–	–	(387)	**2,907**
20	(*)	Croda	2,880	–	–	(164)	**2,716**
			117,522	17,426	(13,219)	(26,493)	**95,236**

These investments total £95,236,000 or 46.1% of the portfolio.

* Not in the 20 largest investments last year.

Investment Portfolio

at 30 September 2008

Market Value £'000	Investments	% of Portfolio
	Oil & Gas Producers	*8.0*
59	Baltic Oil Terminals †	
8,816	**BP**	
1,247	Rockwell Petroleum #	
6,312	**Royal Dutch Shell**	
	Chemicals	*4.1*
3,778	**Carclo**	
2,716	**Croda**	
1,023	Elementis	
894	Scapa Group †	
	Forestry & Paper	*0.6*
1,290	Mondi	
	Industrial Metals	*0.1*
147	Acertec †	
	Mining	*0.4*
375	Energybuild	
254	Etruscan Resources *	
236	Glencar Mining †	
	Aerospace & Defence	*7.0*
735	Hampson Industries	
3,315	**Meggitt**	
1,850	Rolls-Royce	
8,545	**Senior**	
	Construction & Materials	*2.4*
723	Clarke (T)	
78	Costain	
1,829	Eleco †	
237	Heywood Williams	
1,967	Low & Bonar	
154	Marshalls	
	Electronic & Electrical Equipment	*1.3*
511	Abacus	
491	Halma	
157	Morgan Crucible	
1,179	Oxford Instruments	
440	TT Electronics	
	General Industrials	*3.0*
603	Avon Rubber	
1,907	Canfor Pulp *	
1,758	Cosalt	
416	RPC	
968	Smith (David S)	
615	Tomkins	

Market Value £'000	Investments	% of Portfolio
	Industrial Engineering	*7.3*
2,373	Castings	
901	Chamberlin †	
414	Clyde Process Solutions †	
1,172	Delta	
3,390	**Hill & Smith**	
1,495	IMI	
468	Metalrax †	
3,022	**Renold**	
225	Somero Enterprises †	
1,524	Weir	
	Industrial Transportation	*1.9*
650	Autologic †	
490	Clarkson (Horace)	
1,366	Goldenport	
450	Stobart	
747	TDG	
197	Wincanton	
	Support Services	*2.4*
631	Augean †	
1,402	Cape †	
2,032	Interserve	
642	Johnson Service †	
208	St Ives	
	Automobiles & Parts	*0.6*
1,272	GKN	
14	Wagon	
	Beverages	*1.3*
2,627	Diageo	
	Food Producers	*1.8*
585	Carr's Milling Industries	
1,900	Dairy Crest	
187	Premier Foods	
1,126	Uniq	
	Household Goods	*4.1*
536	Airea †	
2,565	Bellway	
1,697	Bovis Homes	
990	Churchill China †	
921	Headlam	
1,857	Redrow	
	Leisure Goods	*0.5*
296	Alba	
684	Hornby	
	Personal Goods	*0.1*
100	Slimma †	

Investment Portfolio continued

at 30 September 2008

Market Value £'000	Investments	% of Portfolio
	Health Care Equipment & Services	*1.0*
2,132	Consort Medical	
	Pharmaceuticals & Biotechnolgy	*5.3*
4,920	**AstraZeneca**	
5,964	**GlaxoSmithKline**	
	Food & Drug Retailers	*1.4*
2,907	**Tesco**	
	General Retailers	*2.1*
1,094	Findel	
686	Jacques Vert †	
344	Mothercare	
408	Next	
777	Signet	
1,117	Topps Tiles	
	Media	*1.1*
1,500	Pearson	
38	Quarto	
803	Yell	
	Travel & Leisure	*2.9*
925	British Airways	
322	Holidaybreak	
1,411	Marston's	
1,604	National Express	
1,700	Wadworth #	
	Fixed Line Telecommunications	*0.0*
16	Finsaga	
	Mobile Telecommunications	*3.2*
3,158	**Inmarsat Ventures**	
3,528	**Vodafone**	
	Electricity	*1.3*
1,447	Infrastructure India	
1,134	IPSA †	
	Gas, Water & Multiutilities	*1.3*
2,626	National Grid	
	Banks	*10.7*
4,724	**Barclays**	
911	HBOS	
8,109	**HSBC**	
2,548	Lloyds TSB	
5,887	**Royal Bank of Scotland**	

Market Value £'000	Investments	% of Portfolio
	Equity Investment Instruments	*1.2*
838	Clean Energy Brazil †	
1,011	Henderson Opportunities Trust	
655	Herald Investment	
	General Financials	*2.8*
9	Accuma †	
1,596	H & T †	
1,860	International Personal Finance	
72	London Scottish Bank	
2,129	Provident Financial	
	Life Insurance/Assurance	*5.5*
5,280	**Aviva**	
647	Chesnara	
941	Friends Provident	
1,529	Irish Life & Permanent *	
1,740	Legal & General	
1,269	Prudential	
	Nonlife Insurance	*8.1*
880	Abbey Protection †	
3,551	**Amlin**	
2,557	Chaucer	
2,032	Hardy Underwriting	
3,931	**Hiscox**	
3,383	**Novae**	
284	Tawa †	
	Real Estate	*5.1*
1,918	Great Portland	
2,670	Hammerson	
1,562	Land Securities	
1,120	Mucklow	
1,146	Segro	
2,175	St Modwen	
	Software & Computer Services	*0.0*
87	Parity	
	Technology Hardware & Equipment	*0.0*
11	Plasmon	
	Fixed Income	*0.1*
49	Corporate Services	
164	Wadworth #	
	TOTAL PORTFOLIO	**100.0**

Stocks in bold type are the 20 largest investments which by value account for 46.1% of the total value of investments of £206,617,000.

†AIM stocks *Overseas quoted stocks #Unquoted investments

Portfolio Analysis

at 30 September 2008

		United Kingdom %	Overseas %	Total 30 Sept 2008 %	FTSE All-Share 30 Sept 2008 %	Total 30 Sept 2007 %
Oil & Gas	Oil & Gas Producers	7.4	0.6	**8.0**	17.3	9.5
	Oil Equipment, Services & Distribution	–	–	**–**	0.5	–
		7.4	0.6	**8.0**	17.8	9.5
Basic Industries	Chemicals	4.1	–	**4.1**	0.4	3.7
	Forestry & Paper	0.6	–	**0.6**	0.1	–
	Industrial Metals	0.1	–	**0.1**	0.1	0.9
	Mining	0.3	0.1	**0.4**	8.3	0.6
		5.1	0.1	**5.2**	8.9	5.2
Industrials	Aerospace & Defence	7.0	–	**7.0**	2.1	2.8
	Construction & Materials	2.4	–	**2.4**	0.2	2.8
	Electronic & Electrical Equipment	1.3	–	**1.3**	0.3	0.9
	General Industrials	3.0	–	**3.0**	0.7	3.0
	Industrial Engineering	7.3	–	**7.3**	0.6	11.6
	Industrial Transportation	1.9	–	**1.9**	0.2	1.5
	Support Services	2.4	–	**2.4**	2.9	4.0
		25.3	–	**25.3**	7.0	26.6
Consumer Goods	Automobiles & Parts	0.6	–	**0.6**	0.1	0.6
	Beverages	1.3	–	**1.3**	2.7	2.7
	Food Producers	1.8	–	**1.8**	2.5	3.6
	Household Goods	4.1	–	**4.1**	1.8	1.5
	Leisure Goods	0.5	–	**0.5**	–	0.6
	Personal Goods	0.1	–	**0.1**	0.2	0.8
	Tobacco	–	–	**–**	3.4	1.0
		8.4	–	**8.4**	10.7	10.8
Heath Care	Health Care Equipment & Services	1.0	–	**1.0**	0.5	0.5
	Pharmaceuticals & Biotechnology	5.3	–	**5.3**	7.8	4.7
		6.3	–	**6.3**	8.3	5.2
Consumer Services	Food & Drug Retailers	1.4	–	**1.4**	3.2	1.1
	General Retailers	2.1	–	**2.1**	1.3	2.9
	Media	1.1	–	**1.1**	2.5	1.7
	Travel & Leisure	2.9	–	**2.9**	2.5	1.0
		7.5	–	**7.5**	9.5	6.7
Telecommunications	Fixed Line Telecommunications	–	–	**–**	1.3	1.3
	Mobile Telecommunications	3.2	–	**3.2**	4.9	3.6
		3.2	–	**3.2**	6.2	4.9
Utilities	Electricity	1.3	–	**1.3**	2.1	0.8
	Gas, Water & Multiutilities	1.3	–	**1.3**	2.9	2.1
		2.6	–	**2.6**	5.0	2.9
Financials	Banks	10.7	–	**10.7**	14.8	7.8
	Equity Investment Instruments	1.2	–	**1.2**	2.7	1.5
	General Financials	2.8	–	**2.8**	2.0	1.7
	Life Insurance/Assurance	4.8	0.7	**5.5**	3.2	3.2
	Nonlife Insurance	8.1	–	**8.1**	1.0	8.0
	Real Estate	5.1	–	**5.1**	1.8	0.5
		32.7	0.7	**33.4**	25.5	22.7
Technology	Software & Computer Services	–	–	**–**	0.9	0.1
	Technology Hardware & Equipment	–	–	**–**	0.2	–
		–	–	**–**	1.1	0.1
	Equities	98.5	1.4	**99.9**	–	94.6
	Convertibles	–	–	**–**	–	–
	Fixed Income	0.1	–	**0.1**	–	5.4
	Total at 30 September 2008	**98.6**	**1.4**	**100.0**	**100.0**	**–**
	Total at 30 September 2007	98.1	1.9	**–**	–	100.0

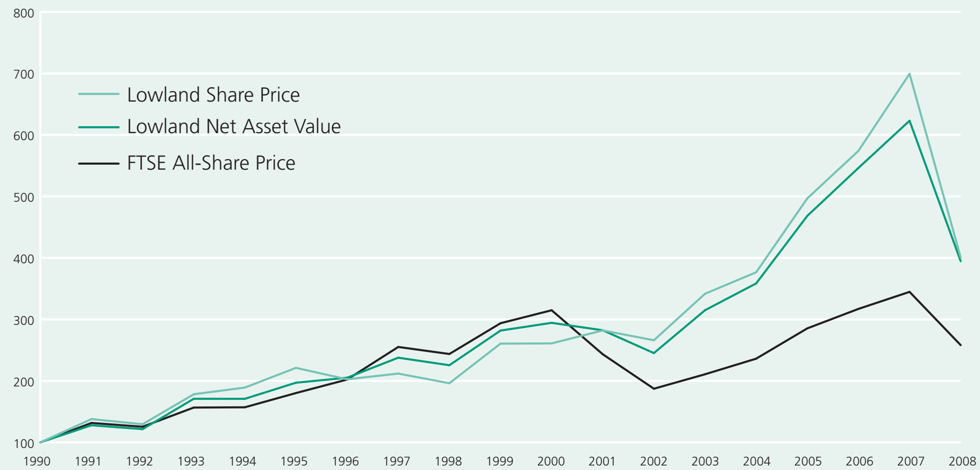
Historical Record

Year to 30 September	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Gross revenue £'000	5,255	5,158	5,834	6,606	5,795	5,810	6,634	7,653	8,514	9,726	**12,326**
Per ordinary share (pence):											
Net revenue	12.55	13.86	14.79	18.18	15.21	15.59	17.33	18.23	20.77	27.87	**33.02**
Dividend paid (net)	12.00	13.00	14.00	14.75	15.50	17.00	18.00	19.25	20.75	23.50	**26.50**
Imputed Tax	3.00	1.44	1.55	1.64	1.72	1.89	2.00	2.14	2.31	2.61	**2.94**
Total dividend (gross)	15.00	14.44	15.55	16.39	17.22	18.89	20.00	21.39	23.06	26.11	**29.44**
Net assets attributable to ordinary shares £'000	88,013	99,520	96,433	91,884	82,649	107,721	126,746†	190,695†	222,217	275,868	**178,411**
Net asset value per ordinary share (pence)	372.6	465.8	486.5	466.5	405.2	520.5	603.5†	785.8†	915.7	1044.3	**675.4**
Share Price (pence)	306.0	406.5	407.0	440.0	415.0	533.0	587.5	775.0	895.5	1091.0	**625.0**

Indices 1998 =100	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Net asset value Capital Return	100	125	131	125	109	140	162	211	246	280	**181**
Ordinary share price Capital Return	100	133	133	144	136	174	192	253	293	357	**204**
Net dividend	100	108	117	123	129	142	150	160	173	196	**221**
FTSE All-Share Index Capital Return	100	121	129	100	77	87	97	117	130	141	**106**
FTSE All-Share Dividend Index	100	102	105	108	112	115	119	123	126	130	**136**
Retail Prices Index	100	101	104	106	108	111	114	117	122	127	**133**

Source: Thomson Financial, Datastream and Henderson Global Investors, capital returns only
† Restated for changes in accounting policies. Years prior to 2004 have not been restated.

Share price, net asset value and the FTSE All-Share Index (capital return only) since 1990 to 30 September 2008 (1990 = 100)



Source: Thomson Financial, Datastream
1990 is the year that James Henderson was appointed Portfolio Manager

Directors

John P D Hancox FCA* (Chairman), is a non-executive director of Gartmore Fledgling Trust plc and a number of unlisted companies. He was appointed to the Board in 2000 and became Chairman at the conclusion of the 2004 AGM.

Rupert G M L Barclay ACA*†, is a partner of Cairneagle Associates LLP and a non-executive director of Dimension Data plc. He was formerly the director of Group Strategy at Reuters plc and Allied Domecq plc. He was appointed to the Board in 2000.

Michael B Moule, was a director of Investment Trusts at Henderson Global Investors until 30 June 2003. He is a director of Polar Capital Technology Trust plc, Foreign & Colonial Eurotrust plc and Montanaro UK Smaller Companies Trust plc. He was appointed to the Board in 1997.

Peter J C Troughton*†, is Vice-Chairman of Archant Ltd and a director of a number of private companies. He was formerly a director of WH Smith Group plc and chief executive of Rothschild Asset Management. He was appointed to the Board in 1990.

Tracy E Long*†, is the founder of Boardroom Review, a trustee of the National Endowment for Science, Technology and the Arts and a fellow of Cass Business School. Her corporate experience spans corporate finance, private equity and media. She was appointed to the Board in 2004.

*Independent non-executive director and a member of the Company's Management Engagement Committee and Nominations Committee, both of which are chaired by John Hancox.
†A member of the Company's Audit Committee, which is chaired by Rupert Barclay.

Manager

Henderson Global Investors Limited is appointed to manage the investment portfolio in furtherance of the Company's objective. The terms of the appointment are given in the Directors' Report on page 15.

James H Henderson managed the portfolio during the year under review. He has been the Portfolio Manager since 1990.

Ben Lofthouse is the Deputy Portfolio Manager.

Henderson Global Investors Limited
201 Bishopsgate
London EC2M 3AE

Telephone: 020 7818 1818
Facsimile: 020 7818 1819

Authorised and regulated by the Financial Services Authority.

Directors' Report

The Directors present the audited financial statements of the Company and their report for the year ended 30 September 2008.

Status

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. It is required to seek HM Revenue & Customs approval of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. Approval of the Company's status as an investment trust has been received in respect of the year ended 30 September 2007 although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

With effect from 6 April 2008:

- the annual Individual Savings Account (ISA) investment allowance has been increased to £7,200; and
- all existing PEP accounts have automatically become Stocks and Shares ISAs and are subject to ISA rules and regulations.

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended 30 September 2008 and covers:

- Investment objective
- Investment policy
- Performance for the year and dividends
- Performance measurement and key performance indicators
- Management arrangements
- Continued appointment of the Manager
- Related party transactions
- Principal risks and uncertainties
- Bank facilities and gearing
- Share capital
- Future developments

A review of the investment activities for the year ended 30 September 2008 and the outlook for the coming financial year are given in the Portfolio Manager's Report on pages 5 and 6.

Investment objective

To provide investors with a higher than average return with growth of both capital and income over the medium to long term through a broad spread of predominantly UK companies.

The Company measures its performance against the FTSE All-Share Index.

Investment policy

The Company will invest in all sizes of companies. It is not hindered by the weightings of an index but rather seeks value in a diversified range of companies with normally not more than half by value coming from the largest 100 UK companies and the balance from small and medium sized companies.

The Company aims to provide shareholders with dividend growth. This will be achieved by growing the capital value of the Company through investing in shares that usually have a reasonable dividend yield and prospects for dividend growth sometime in the future.

The Company will at times borrow money both short and longer term in order to enhance performance. The gearing will not exceed 29.9% other than in exceptional circumstances, nor will equities represent less than 70% of the Company's net asset value.

It is the stated investment policy of the Company to invest no more than 15% of its gross assets in other

Directors' Report

continued

listed investment companies (including listed investment trusts).

Lowland is a company listed on the London Stock Exchange. It was created in 1960 and has, since inception, been managed by a representative of Henderson Global Investors. The Board is independent of the management company.

Performance for the year and dividends

Total net assets at 30 September 2008 amounted to £178,411,000 compared with £275,868,000 at 30 September 2007, and the net asset value per ordinary share decreased from 1044.3p to 675.4p a decrease of 35.3%. This figure is calculated by valuing the Company's long term debt at its nominal value. When the long term debt is calculated at its fair, or market value, year-on-year the net asset value decreased from 1041.0p to 672.9p or 35.4%.

At 30 September 2008 the Company held 131 (2007: 134) investments, as detailed on pages 8 and 9.

The net revenue after taxation for the year was £8,724,000, or 33.0p per share (2007: £6,978,000 or 27.9p per share) an increase of 18.3% from the previous year.

	2008	2007	% Change
Net assets as at 30 September	**£178.4**	£275.9m	–35.3
Revenue return for the year	**33.0p**	27.9p	+18.3
Dividend payable per share for the year	**26.5p**	23.5p	+12.8

The Board's aim is to continue with a progressive dividend policy. For the financial year under review, an interim dividend of 10.0p has been paid, which, together with the recommended final dividend of 16.5p, will provide a total dividend of 26.5p per ordinary share for the year, an increase of 12.8% over the previous year's total of 23.5p.

Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Investment Manager, the Directors take into account the following key performance indicators:

- Performance measured against the benchmark – The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and its benchmark, which is the FTSE All-Share Index.

- Discount to net asset value ("NAV") – At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC (Association of Investment Companies) sector.

  The Board would consider the use of share buy backs to enhance shareholder value. Shares would only be purchased at a price below the prevailing NAV per share, thereby increasing the NAV of the remaining shares.

  The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and since 1 June 2008 includes current financial year revenue items.

- Performance against the Company's peer group – The Company is included in the AIC "UK Growth and Income" sector. In addition to comparison against the stated benchmark, the Board also considers the performance against its AIC peer group at each Board meeting.

- Total expense ratio ("TER") – The TER is a measure of the total expenses incurred by the Company expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the TER and monitors all Company expenses.

Directors' Report

continued

	Year ended 30 September 2008	Year ended 30 September 2007
NAV total return	**–34.7%**	16.1%
FTSE All-Share Index total return (the benchmark)	**–22.3%**	12.2%
AIC Sector NAV total return	**–25.8%**	9.8%
Share price total return	**–41.1%**	24.4%
AIC Sector share price total return	**–25.1%**	9.5%
(Discount)/premium to NAV	**-7.5%**	4.5%
Total expense ratio (excluding VAT write back)	**0.74%**	0.72%
AIC Sector average total expense ratio*	**0.82%**	0.83%

Source: AIC, Henderson
*Figures as at 30 April

Management arrangements

Investment management, custodial, accounting, company secretarial and administrative services are provided to the Company by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and by BNP Paribas Fund Services UK Limited under a Management Agreement which is reviewed annually and has a twelve month notice period (except for reasons of a change of control of the Investment Manager).

The management fee is calculated at the rate of 0.5% of the average of the aggregate net chargeable assets (excluding the value of any investment in any funds managed by Henderson) on the last day of the relevant quarter and the last day of the corresponding quarter in the preceding year.

During the year under review the Investment Manager (Manager) used certain services which were paid for, or provided by, various brokers. In return it placed business, which may have included transactions relating to the Company, with these brokers.

Continued appointment of the Manager

The Board reviews the performance of the Manager at each Board meeting. In the opinion of the Directors the continued appointment of the current Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Manager has extensive investment management resources and wide experience in managing and administering investment trust companies.

Related party transactions

Fees payable to Henderson under the management contract are the only related party transactions which occurred during the year (2007: the same).

Principal risks and uncertainties

With the assistance of the Manager, the Board has drawn up a Risk Matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

Investment and Strategy

An inappropriate investment strategy, 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. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Manager operates in accordance with investment limits and restrictions and policy determined by the Board, which includes limits on the extent to which borrowings may be employed. The Board reviews the limits and restrictions on a regular basis and the Manager confirms adherence to them every month. The Manager provides the Board with management information, including performance data and reports and shareholder analyses. The Directors monitor the implementation and results of the investment process with the Portfolio Manager at each Board meeting and monitor risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.

Market

Market risk arises from uncertainty about the future

Directors' Report
continued

prices of the Company's investments. This is commented on in note 15 on pages 41 to 45.

Accounting, legal and regulatory
In order to qualify as an investment trust, the Company must comply with section 842 of the Income and Corporation Taxes Act 1988 ('s.842'). A breach of s.842 could result in the Company losing investment trust status, and, as a consequence gains in the Company's portfolio would be subject to Corporation Tax. The s.842 criteria are monitored by the Manager and the results are reported at each Board meeting.

The Company must comply with the provisions of the Companies Acts and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or the subject of criminal proceedings. A breach of the UKLA Rules could result in the suspension of the Company's shares; which in turn would breach s.842. The Board relies on its Company Secretary and advisers to ensure adherence to the Companies Acts and UKLA Rules.

Corporate Governance and shareholder relations
Details of the Company's compliance with corporate governance best practice, including information on shareholder relations, are set out in the Corporate Governance Statement on pages 22 to 27.

Operational
Disruption to, or the failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. The Manager contracts some of the operational functions (principally those relating to trade processing, investment administration and accounting), to BNP Paribas Fund Services UK Limited. Details of how the Board monitors the services provided by the Manager and other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of the Corporate Governance Statement on page 26.

Financial
The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 15 on pages 41 to 45. Additional disclosures are provided this year for the first time in accordance with FRS 29.

Bank facilities and gearing
The Board has in place facilities which allow it to borrow as and when appropriate. At 30 September 2008 the Company had committed short term facilities of £60 million. The facilities are subject to regular review and since the year end have been reduced to £48 million. Actual borrowing excluding the debenture of £6 million at 30 September 2008 was £28 million (30 September 2007: £14 million).

Share capital
The Company's share capital comprises ordinary shares of 25p nominal value each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares and there are no shares which carry specific rights with regards to control of the Company.

At 30 September 2008, there were 26,417,427 shares in issue. Since 30 September 2008 and up to the date of this document, there have been no changes to the share capital or voting rights of the Company.

Future developments
While the future performance of the Company is dependent, to a large degree, on the performance of financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined above. Further comments on the outlook for the Company for the next twelve months are set out in both the

Directors' Report

continued

Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Report on pages 5 and 6.

Directors

The names and biographies of the Directors holding office at the date of this report, all of whom served throughout the year, are listed on page 12.

The Board may appoint directors to the Board without shareholder approval. Any director so appointed must stand for election by the shareholders at the next Annual General Meeting (AGM) in accordance with the articles of association.

In addition under the articles of association, shareholders may remove a director before the end of his term by passing a special resolution. A special resolution is passed if more than 75 per cent. of the votes cast, in person or by proxy, are in favour of the resolution.

The Combined Code 2006 requires that every Director retires by rotation at least every three years and the Company's articles of association provide that one third of Directors retire by rotation each year. Directors may then offer themselves for re-election. The Director retiring by rotation at the forthcoming AGM is Mr Hancox who, being eligible, offers himself for re-election. Both Mr Troughton and Mr Moule offer themselves for annual re-election by shareholders in accordance with both the Combined Code and the AIC Code. Further details are provided in the Corporate Governance Statement on pages 22 to 27.

Directors' Remuneration

A report on Directors' remuneration is on pages 28 and 29

Directors' Interests in Shares

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the table opposite.

	Ordinary shares of 25p each	
	30 September 2008	1 October 2007
Beneficial:		
J P D Hancox	**20,000**	20,000
R G M L Barclay	**10,748**	2,700
T E Long	**7,992**	2,000
M B Moule	**2,000**	2,000
P J C Troughton	**7,745**	5,953

There have been no changes in Directors' interests since the end of the financial year and the date of this report. No Director had an interest at the beginning or end of the financial year in the Company's debenture stock.

Mr J Henderson, the Portfolio Manager, has a beneficial interest in 492,419 ordinary shares of the Company.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a service contract with the Company. No Director is entitled to compensation for loss of office on the takeover of the Company.

Directors' Indemnity

Directors' and officers' liability insurance cover is in place in respect of the Directors. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Substantial Share Interests

Declarations of interests in the voting rights of the Company, at 11 November 2008, are set out below.

Shareholder	**% of voting rights**
Legal & General	4.1%

In addition, the Board is aware that, at 30 September 2008, 14.0% of the issued share capital was held on behalf of participants in the Itshenderson dealing accounts and ISAs and on behalf of participants in

Directors' Report

continued

other Henderson ISAs. These participants are given the opportunity to instruct the relevant nominee company to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. In accordance with the terms and conditions of Itshenderson, Henderson has stated that it will instruct its nominee company to exercise the voting rights of any shares held through Itshenderson that have not been exercised by the individual participants in Itshenderson. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Annual General Meeting ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your Ordinary Shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held on Thursday 18 December 2008 at 11.30am. The formal Notice of the AGM is set out on pages 49 to 54. Resolutions relating to the following items of special business will be proposed at the AGM, for which shareholder approval is required in order to comply with the Companies Acts 1985 and 2006. A special resolution is required in some cases and is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution.

Resolution 9 Directors' Authority to Allot Shares (ordinary resolution)

On 19 December 2007 the Board was granted authority to allot a limited number of authorised but unissued ordinary shares. No shares have been allotted under this authority which will expire at the forthcoming AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £660,435 (being 10% of the issued share capital as at the date of the Notice of the AGM).

The Directors consider it desirable to be able to allot new ordinary shares to take advantage of opportunities in the market as they arise and when it would be of benefit to existing shareholders and when it would not result in any dilution of the net asset value per share. Therefore shares would only be issued, or resold from treasury, at a premium to net asset value, the net asset value being calculated with debt at fair value.

Resolution 10 Authority for Disapplication of Pre-emption Rights (special resolution)

A special resolution will also be proposed at the AGM to give Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £660,435 (being 10% of the Company's issued share capital as at 11 November 2008, the date of the Notice of the AGM). Pre-emption rights under the Companies Act 1985 would apply to the resale of treasury shares for cash, just as they do for the allotment of new shares.

The Board's intention is that Resolutions 9 and 10 would relate to either a new issue or to the resale of treasury shares. Appropriate resolutions to renew these authorities are set out in full in the Notice of AGM. If renewed, both of these authorities will expire at the conclusion of the AGM in 2009.

Directors' Report
continued

Resolution 11 Authority to Make Market Purchases of the Company's Own Shares (special resolution)
On 19 December 2007 the Board was granted authority to repurchase 3,959,972 ordinary shares of 25p (with a nominal value of £989,993) for cancellation or to be held in treasury; no shares were repurchased under this authority which will expire at the forthcoming AGM.

The Board is seeking shareholder approval to renew the authority to purchase on the London Stock Exchange up to a maximum of 14.99% of the Company's ordinary shares in issue at the date of the AGM (equivalent to 3,959,972 ordinary shares of 25p, with a nominal value of £989,993 at 11 November 2008, the date of the Notice of the AGM).

The Directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share and would be in the best interests of shareholders generally. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. The Board considers how the use of treasury shares could be beneficial to the Company's shareholders and would, if shareholder approval is renewed, determine whether to hold any ordinary shares repurchased in treasury (up to the maximum permitted, 10% of the issued share capital) or whether they should be cancelled. The decision would be taken at the time of any share repurchase in the light of market conditions and the Board's judgement of its likely effectiveness in increasing net asset value per share and/or reducing the discount.

If approved at the forthcoming AGM, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the AGM to be held in 2009, whichever is the sooner.

Resolution 12 New Articles of Association
In addition to matters which are usually dealt with at the AGM, we are also asking shareholders to approve new articles of association in substitution for the current articles of association primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the existing articles of association is set out in the appendix to the notice of meeting on pages 53 and 54.

Recommendation and Voting Intentions
The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

Independent Auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the Directors to determine their remuneration, will be proposed at the AGM.

Directors' Statement as to Disclosure of Information to Auditors
The Directors who were members of the Board at the time of approving this Report are listed on page 12. Each of those Directors confirms that:

- to the best of his/her knowledge and belief, there is no information relevant to the preparation of the Annual Report and Financial Statements of which the Company's auditors are unaware; and
- he/she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Corporate Governance
A statement on Corporate Governance is on pages 22 to 27.

Directors' Report
continued

Environmental Policy

The Company has no employees and outsources its investment management and company secretarial services to subsidiaries of Henderson Group plc ("Henderson"). Henderson has stated to the Board that it has implemented environmental management practices, which include systems to limit the use of non-renewable resources and minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and to minimising waste, where possible.

Payment of Suppliers

It is the Company's payment policy to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 30 September 2008 (2007: nil).

Going Concern

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

Donations

During the year and prior year no political or charitable donations were made.

Change of Registered Office

On 17 November 2008, the Company's registered office will change to 201 Bishopsgate, London EC2M 3AE.

By order of the Board
Josie Havita ACIS
For and on behalf of Henderson Secretarial Services Limited
Secretary
11 November 2008

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Principles (UK GAAP). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with UK GAAP; and
- prepare the financial statements on the going concern basis.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement under DTR 4.1.12

The Directors, who are listed on page 12 of this Annual Report, each confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) this Annual Report includes 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 they face.

For and on behalf of the Board

John Hancox
Chairman

11 November 2008

The financial statements are published on a website maintained by the Company's Investment Manager, Henderson Global Investors Limited. The maintenance and integrity of this website is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

Corporate Governance

Background

The Board is accountable to shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the 2006 Combined Code (the "Code"). The Financial Reporting Council (the "FRC") confirmed in February 2007 that it remained the view of the FRC that by following the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"), boards of investment companies should fully meet their obligations in relation to the Code and paragraph 9.8.6 of the Listing Rules.

The Board of Lowland Investment Company plc has considered the principles and recommendations of the AIC Code of Corporate Governance ("the AIC Code") by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Lowland Investment Company plc.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), will provide the most appropriate information to shareholders.

Application of the AIC Code's Principles and Statement of Compliance

The Board attaches importance to the matters set out in both the Code and the AIC Code and observes the relevant Main and Supporting Principles. It should be noted that, as an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

The directors believe that during the period under review they have complied with the provisions of the Code, insofar as they apply to the Company's business, and with the provisions of the AIC Code except as noted below.

Senior independent director

A senior non-executive director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

The role of the chief executive

Since all the Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Investment Manager, the Company does not have a Chief Executive Officer.

Executive directors' remuneration

As the Board has no executive directors, it is not required to comply with the principles of the Code in respect of executive directors' remuneration and does not have a remuneration committee. The Directors' fees are detailed in the Directors' Remuneration Report on pages 28 and 29.

Internal audit function

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The Directors review annually whether a function equivalent to an internal audit is needed and it will continue to monitor the Company's systems of internal controls in order to provide assurance that they operate as intended.

Board Independence and Composition

The Board currently consists of five non-executive Directors. The Directors review annually their independence. Mr Moule was employed by the Investment Manager until June 2003 and is therefore not

Corporate Governance
continued

considered an independent Director. Mr Troughton has served on the Board for over nine years and, based on the AIC Code, he would not be deemed automatically independent of the Board. However, the Nomination Committee concluded that Mr Troughton remains independent as he has no other links to the Investment Manager and has a wide range of other interests. Therefore, with the exception of Mr Moule, all Directors are independent. The Chairman's other significant commitments are detailed on page 12 and have not changed during the year.

The Directors' biographies, set out on page 12, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors. The Board believes that retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders.

At least seven scheduled Board meetings are held each year to deal with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy, gearing policy, the review of investment performance and the level of the discount or premium to net asset value, financial reporting and controls, internal controls and risk, Board and Committee membership, corporate governance matters and the evaluation of the service providers. Additional meetings of the Board may be arranged as required. The number of formal meetings of the Board and its Committees held during the financial year and the attendance of individual Directors are shown below. All Directors attend the Annual General Meeting.

No of meetings	**Board** **7**	**Committee of the Board** **1**	**Audit Committee** **2**	**Nomination Committee** **4**	**Management Engagement Committee** **1**
J P D Hancox (i)	7	1	n/a	4	1
R G M L Barclay	7	–	2	4	1
T E Long	7	–	2	4	1
M B Moule (ii)	7	1	n/a	n/a	n/a
P J C Troughton	7	–	2	3	1

Notes:
(i) Mr Hancox is not a member of the Audit Committee, although he is normally invited to attend.
(ii) Mr Moule is not an independent Director and is therefore not a member of the Board Committees. However, he is normally invited to attend.

The Board believes that each of the Directors exercises independent judgement and that length of service does not necessarily diminish the contribution from a Director; indeed, a Director's experience and extensive knowledge of the Company can be a positive benefit to the Board. Further, the Board is conscious of the need to maintain continuity, particularly given the cyclical nature of the Company's markets. It believes that retaining some Directors with experience of past cycles, of both the Company and the markets, is of great benefit to shareholders. This view is supported by the AIC Code.

Board Committees

The Board has three Committees, the Audit Committee, the Nomination Committee and the Management Engagement Committee, and Terms of Reference for these Committees are available on the website.

Audit Committee

The Audit Committee comprises Mr Barclay, Mr Troughton and Dr Long. The Chairman of the Committee is Mr Barclay. Collectively the members of the Audit Committee are considered to have the necessary recent and relevant financial experience.

The Audit Committee meets at least twice a year and is responsible for the review of the Annual Report and Financial Statements, the nature and scope of the external audit and the findings therefrom, the terms of appointment of the auditors together with their remuneration, performance, independence and objectivity, as well as any non-audit services provided by the auditors, and the half year report. It meets with representatives of the Investment Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

The Audit Committee considers whether the auditors are best placed to carry out any non-audit services on a case by case basis.

The Investment Manager and BNP Paribas Fund Services UK Limited have arrangements in place by

Corporate Governance
continued

which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Following a recommendation from the Audit Committee, the Board concluded that the auditors, PricewaterhouseCoopers LLP, remained independent of both the Company and the Investment Manager.

Nomination Committee
The Nomination Committee comprises Mr Hancox, Mr Barclay, Dr Long and Mr Troughton. The Chairman of the Committee is Mr Hancox. However, he would not chair the Committee when the Chairman's successor was being considered.

The Nomination Committee meets at least annually and considers Board succession planning, the review of the performance of the Board as a whole and the Board Committees, and the appointment of new Directors. During 2008, the Nomination Committee met four times to consider the appointment of a new non-executive director.

The Nomination Committee also reviewed the Directors retiring by rotation and recommended that their re-election be put forward to shareholders at the forthcoming AGM.

Management Engagement Committee
The Management Engagement Committee comprises Mr Hancox, Mr Barclay, Dr Long and Mr Troughton. The Chairman of the Committee is Mr Hancox. The Committee meets at least annually to review the Investment Management Agreement with the Company's Investment Manager and to review the services provided by the Investment Manager. A statement of Henderson Global Investors' responsibilities as Investment Manager can be found in the Directors' Report on page 15 and on page 25 of this statement.

Performance Evaluation
The Company
The performance of the Company is considered in detail at each Board meeting.

The Board
The Chairman reviews each individual Director's contribution on an annual basis, and the work of the Board as a whole and of the Board Committees is also reviewed annually through a formal process by the Nomination Committee. The Board meets annually without the Chairman present in order to review the performance of the Chairman.

Tenure Policy
All Directors are appointed for an initial term of three years, subject to re-appointment and Companies Act provisions and, in accordance with the Articles of Association, stand for election at the first AGM following their appointment. Directors' terms and conditions of appointment are set out in letters of appointment which will be available for inspection at the AGM.

Directors will retire at intervals of not more than three years to ensure compliance with the Code. Additionally, Mr Moule and Mr Troughton will seek re-election by shareholders annually, Mr Moule due to his former association with the Investment Manager and Mr Troughton due to his length of service.

Board Succession and Policy for Recruitment
The Nomination Committee considers succession planning bearing in mind the balance of skills, knowledge and experience existing on the Board and will recommend when the further recruitment of non-executive Directors is required. The Committee aims to maintain a balance of relevant skills, experience, ages and length of service of the Directors serving on the Board.

Corporate Governance
continued

Nominations are considered in accordance with the Board's agreed procedures; this does not exclude the Directors submitting nominations to the Board for consideration. The Board may also use external recruitment consultants when appointing new Directors, and has recently done so in the recruitment of Mr Karl Sternberg who is to join the Board in January 2009.

Reappointment as a Director is not automatic and follows a process of evaluation of each Director's performance. In accordance with the Combined Code, any Director serving for longer than six years is subject to particularly rigorous assessment of his/her contribution and any Director serving for longer than nine years is also subject to annual re-election by shareholders.

Directors' Training

When a new Director is appointed he or she is offered a training seminar which is held by the Investment Manager. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

Responsibilities

The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Manager attend each Board meeting, enabling the Directors to probe further on matters of concern or seek clarification on certain issues.

A formal schedule of matters specifically reserved for decision by the full Board has been drawn up and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company within certain parameters. The Directors have access to the advice and services of the corporate Company Secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board and Investment Manager operate in a supportive, co-operative and open environment.

Continued Appointment of the Investment Manager

The Board reviews the performance of the Investment Manager at each Board meeting and the Management Engagement Committee reviews annually the terms of the contract with the Investment Manager. In the opinion of the Directors, the continued appointment of the current Investment Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Investment Manager has extensive investment management resources, wide experience in managing and administering investment trust companies and is deemed likely to achieve the objectives of the Company.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements is set out on page 21, the Report of the Independent Auditors on page 30 and the Statement of Going Concern on page 20.

The Board has delegated contractually to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

Corporate Governance
continued

The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the Investment Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The Investment Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Investment Manager's compliance and risk departments on a continuing basis.

Internal Controls

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 and revised in October 2005 ("the Turnbull Guidance"). The process has been in place since 2 March 2000 and up to the date of approval of this Annual Report.

The Board, assisted by the Investment Manager, has undertaken an annual review of the effectiveness of the Company's system of internal control and the business risks have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Investment Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Investment Manager, and which reports the details of any known internal control failures. The Board receives each year from the Investment Manager a report on its internal controls which includes a report from the Investment Manager's reporting accountants on the control policies and procedures in operation. The Board confirms that in the event of any significant failings or weakness identified from the annual review of the effectiveness of the Company's system of internal control, necessary actions would be taken to remedy them.

The Board is responsible overall for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objective and can only provide reasonable and not absolute assurance against material misstatement or loss.

Relations with Shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the Half Year Report and Annual Report and Financial Statements, which aim to provide shareholders with a clear understanding of the Company's activities and their results. In addition, Interim Management Statements are issued twice per annum. This information is supplemented by the daily calculation and publication at the London Stock Exchange of the net asset value of the Company's ordinary shares and a monthly fact sheet. Information can also be found on www.lowlandinvestment.com. In addition to publishing various reports, the Portfolio Manager regularly meets with shareholders and in particular private client stockbrokers. During the meetings with shareholders, the Portfolio Manager has an opportunity to discuss the Company's investment approach.

The Board considers that shareholders should be encouraged to attend and participate in the Annual General Meeting, which is chaired by the Chairman of the Board and all Directors normally attend. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting. The Portfolio Manager, as the representative

Corporate Governance
continued

of the Investment Manager, makes a presentation to and invites questions from shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting. It is the intention of the Board that the Annual Report and Financial Statements and the Notice of Annual General Meeting be issued to shareholders so as to provide at least twenty working days' notice of the meeting. Shareholders wishing to lodge questions in advance of the meeting are invited to do so by writing to the Company Secretary at the Registered Office address given on the inside back cover.

General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between the Investment Manager and shareholders are reported to the Board.

The Notice of Annual General Meeting on pages 49 and 50 sets out the business of the meeting and the special business is explained more fully in the Report of the Directors on pages 18 and 19. Separate resolutions are proposed for each substantive issue.

Exercise of Voting Powers

The Company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

Nominee Code

Where shares in the Company are held by nominee companies, Lowland Investment Company plc undertakes to:

- provide nominee operators, who have indicated in advance a wish to receive them, with copies of shareholder communications for distribution to their customers; and

- encourage nominee operators to advise investors that they will be permitted to attend general meetings, and to speak at meetings when invited to do so by the Chairman.

Investors in the Itshenderson and other Henderson products receive all shareholder communications. Voting forms are provided to facilitate voting.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 7A to the Companies Act 1985 (the "Act") in respect of the year ended 30 September 2008. The Act requires the auditors to report to the Company's members on certain parts of the report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. Therefore the Report has been divided into separate sections for audited and unaudited information. The report also meets the relevant provisions of the Listing Rules issued by the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the AGM.

UNAUDITED INFORMATION

Remuneration Policy

Consideration by Directors of Matters Relating to Directors' Remuneration

All Directors are non-executive and it should be noted that a Remuneration Committee has not been established. The whole Board considers matters relating to Directors' remuneration and was not provided with advice or services by any external person in respect of its consideration of the Directors' remuneration.

Statement of the Company's Policy on Directors' Remuneration

The Company's policy is that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs, and the responsibilities borne by the Directors, and be sufficient to enable candidates of high calibre to be recruited and retained. The Chairman of the Board is paid a higher fee in recognition of the additional responsibilities, as is the Chairman of the Audit Committee. The policy is to review fee rates annually, although such review will not necessarily result in any change to the rates, and account is taken of fees paid to Directors of other investment trust companies of similar type and size. Fees are paid quarterly in arrears to the Director personally.

There are no long term incentive schemes, share option schemes or pension arrangements provided by the Company and no performance fees are paid to Directors.

None of the Directors has a service contract with the Company. There are no set notice periods and a Director may resign by notice in writing to the Board at any time.

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

Throughout the year the Board comprised non-executive Directors. New directors are appointed with the expectation that they will serve for a minimum period of three years and receive a letter of appointment. Directors' appointments are reviewed formally every three years and thereafter annually by the Board as a whole.

The Directors' fees were reviewed and increased in January 2008. Currently Directors are paid at the following rates:

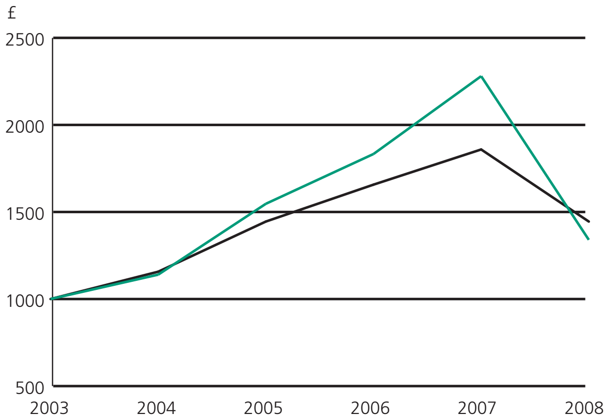
Chairman	£27,000 per annum
Audit Committee Chairman	£19,000 per annum
Other Directors	£17,000 per annum

Directors' Remuneration Report

continued

Performance Graph

A line graph as required by the Act, showing the Company's share price total return compared to the FTSE All-Share Index, is set out below. This Index has been selected for the performance graph below as this is the Company's benchmark index.



Source: Thomson Financial, Datastream and AIC Information Services Ltd

Lowland share price total return, assuming the investment of £1,000 on 1 October 2003 and the reinvestment of all dividends (excluding dealing expenses).

FTSE All-Share Index total return, assuming the notional investment of £1,000 into the Index on 1 October 2003 and the reinvestment of all income (excluding dealing expenses).

AUDITED INFORMATION

Directors' Fees and Expenses

The Company's Articles of Association limit the fees payable to the Directors in aggregate to a total of £150,000 per annum.

The fees payable to Directors during the current and previous year to 30 September are shown in the table below.

	Directors' Fees	
	2008	2007
	£	£
J P D Hancox	**24,750**	18,000
P J C Troughton	**17,000**	13,000
R G M L Barclay	**16,250**	12,000
T E Long	**15,750**	12,000
M B Moule	**15,750**	12,000
TOTAL	**89,500**	67,000

By order of the Board

Josie Havita ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
11 November 2008

Report of the Independent Auditors

to the members of Lowland Investment Company plc

We have audited the financial statements of Lowland Investment Company plc for the year ended 30 September 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Investment Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial Highlights and Dividend, the Chairman's Statement, the Portfolio Manager's Report, Twenty Largest Holdings, Portfolio Analysis, Investment Portfolio, Historical Record, the Directors' Report, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008; and of its net return and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
11 November 2008

Income Statement

for the year ended 30 September 2008

Notes		**Year ended 30 September 2008** Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 30 September 2007 Revenue Return £'000	Capital Return £'000	Total £'000
2	(Losses)/gains on investments held at fair value through profit or loss	**–**	**(99,709)**	**(99,709)**	–	27,749	27,749
3	Income from investments	**11,974**	**–**	**11,974**	9,566	–	9,566
4	Other interest receivable and similar income	**352**	**–**	**352**	160	–	160
	Gross revenue and capital (losses)/gains	**12,326**	**(99,709)**	**(87,383)**	9,726	27,749	37,475
5	Management fee	**(1,319)**	**–**	**(1,319)**	(1,479)	–	(1,479)
5	Write back of prior-years' VAT	**831**	**–**	**831**	–	–	–
6	Other administrative expenses	**(357)**	**–**	**(357)**	(310)	–	(310)
	Net return/(loss) on ordinary activities before finance charges and taxation	**11,481**	**(99,709)**	**(88,228)**	7,937	27,749	35,686
7	Finance charges	**(2,700)**	**–**	**(2,700)**	(929)	–	(929)
	Net return/(loss) on ordinary activities before taxation	**8,781**	**(99,709)**	**(90,928)**	7,008	27,749	34,757
8	Taxation on net return/(loss) on ordinary activities	**(57)**	**–**	**(57)**	(30)	–	(30)
	Net return/(loss) on ordinary activities after taxation	**8,724**	**(99,709)**	**(90,985)**	6,978	27,749	34,727
9	**Return/(loss) per ordinary share – basic and diluted**	**33.0p**	**(377.4p)**	**(344.4p)**	27.9p	110.8p	138.7p

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

The notes on pages 35 to 48 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the years ended 30 September 2008 and 30 September 2007

Notes	**Year ended 30 September 2008**	**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 2007	**6,604**	**53,561**	**1,007**	**207,542**	**7,154**	**275,868**
	Net (loss)/return on ordinary activities after taxation	**–**	**–**	**–**	**(99,709)**	**8,724**	**(90,985)**
10	**Final dividend (14.5p) for the year ended 30 September 2007 paid 21 December 2007**	**–**	**–**	**–**	**–**	**(3,830)**	**(3,830)**
10	**Interim dividend (10.0p) for the year ended 30 September 2008 paid 20 June 2008**	**–**	**–**	**–**	**–**	**(2,642)**	**(2,642)**
	At 30 September 2008	**6,604**	**53,561**	**1,007**	**107,833**	**9,406**	**178,411**

Notes	Year ended 30 September 2007	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 2006	6,067	29,895	1,007	179,793	5,455	222,217
	Net return on ordinary activities after taxation	–	–	–	27,749	6,978	34,727
10	Final dividend (12.75p) for the year ended 30 September 2006 paid 22 December 2006	–	–	–	–	(3,094)	(3,094)
10	Interim dividend (9.0p) for the year ended 30 September 2007 paid 15 June 2007	–	–	–	–	(2,185)	(2,185)
16	Issue of 2,149,473 new shares	537	23,666	–	–	–	24,203
	At 30 September 2007	6,604	53,561	1,007	207,542	7,154	275,868

The notes on pages 35 to 48 form part of these financial statements

Balance Sheet

at 30 September 2008

Notes		2008 £'000	2007 £'000
11	**Investments held at fair value through profit or loss**		
	Listed at market value in the United Kingdom	**184,265**	263,849
	Quoted on AIM	**15,551**	23,879
	Listed at market value overseas	**3,690**	3,258
	Unquoted	**3,111**	4,618
		206,617	295,604
	Current assets		
12	Debtors	**5,279**	2,058
	Cash at bank	**1,116**	43
		6,395	2,101
13	**Creditors:** amounts falling due within one year	**(28,601)**	(15,837)
	Net current liabilities	**(22,206)**	(13,736)
	Total assets less current liabilities	**184,411**	281,868
14	**Creditors:** amounts falling due after more than one year	**(6,000)**	(6,000)
	Total net assets	**178,411**	275,868
	Capital and reserves		
16	Called up share capital	**6,604**	6,604
17	Share premium account	**53,561**	53,561
18	Capital redemption reserve	**1,007**	1,007
18	Other capital reserves	**107,833**	207,542
19	Revenue reserve	**9,406**	7,154
	Equity shareholders' funds	**178,411**	275,868
20	**Net asset value per ordinary share**	**675.4p**	1,044.3p

These financial statements were approved and authorised for issue by the Board of Directors on 11 November 2008 and signed on their behalf by:

J P D Hancox
Chairman

The notes on pages 35 to 48 form part of these financial statements

Cash Flow Statement

for the year ended 30 September 2008

Notes		2008 £'000	2008 £'000	2007 £'000	2007 £'000
23	**Net cash inflow from operating activities**		**10,307**		7,540
	Servicing of finance				
	Interest paid	**(2,687)**		(927)	
	Net cash outflow from servicing of finance		**(2,687)**		(927)
	Taxation				
	Overseas withholding tax recovered	**5**		–	
	Net tax recovered		**5**		–
	Financial investment				
	Purchase of investments	**(88,718)**		(64,433)	
	Sales of investments	**74,802**		64,025	
	Net cash outflow from financial investment		**(13,916)**		(408)
	Equity dividends paid		**(6,472)**		(5,279)
	Net cash (outflow)/inflow before financing activities		**(12,763)**		926
	Financing				
16	Issue of shares	**–**		566	
	Issue expenses paid relating to prior year transaction	**–**		(60)	
	Net loans drawn down/(repaid)	**14,069**		(1,660)	
			14,069		(1,154)
	Increase/(decrease) in cash		**1,306**		(228)
24	**Reconciliation of net cash flow to movement in net debt**				
	Increase/(decrease) in cash as above		**1,306**		(228)
	Net cash (inflow)/outflow from movement in loans		**(14,069)**		1,660
	Exchange movements		**(16)**		22
	Movement in net debt		**(12,779)**		1,454
	Net debt at 1 October		**(19,691)**		(21,145)
	Net debt at 30 September		**(32,470)**		(19,691)

The notes on pages 35 to 48 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on a going concern basis and on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments, and in accordance with the Companies Act 1985, Accounting Standards applicable in the United Kingdom and the Revised Statement of Recommended Practice – "Financial Statements of Investment Trust Companies" dated December 2005 (the "Revised SORP"). All of the Company's operations are of a continuing nature.

b) Valuation of fixed asset investments

Listed investments, including AIM stocks and UK government securities, have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid price or the last trade price depending on the convention of the Exchange on which the investment is quoted.

Unquoted investments are valued by the directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. Where fair value cannot reliably be measured the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "gains or losses on investments held at fair value through profit or loss". All purchases and sales are accounted for on a trade date basis.

c) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or to the revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

d) Income

Dividends receivable from equity shares are taken to the revenue return on an ex-dividend basis except where, in the opinion of directors, the dividend is capital in nature in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares is recognised using the effective interest rate method in accordance with the Revised SORP. Bank interest and income from stock lending and underwriting, are accounted for on an accruals basis.

e) Management and administration expenses and finance charges

All expenses and finance charges are accounted for on an accruals basis. All administrative expenses, including the management fee and interest payable, are charged to the revenue return of the Income Statement. Expenses which are incidental to the purchase or sale of an investment are included within the cost or deducted from the proceeds of the investment.

f) Taxation

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

Notes to the Financial Statements

continued

1 Accounting policies (continued)

g) Bank borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including interest payable, premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

h) Dividends payable to equity shareholders

In accordance with FRS 21 dividends should not be accrued in the accounts unless they have been approved by shareholders before the balance sheet date. Interim dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds once they have been paid to shareholders.

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

	2008 £'000	2007 £'000
Realised gains based on historical cost	**5,723**	20,118
Amounts recognised as unrealised in previous years	**(10,305)**	(13,396)
Realised (losses)/gains based on carrying value at previous balance sheet date	**(4,582)**	6,722
Net movement in unrealised (depreciation)/appreciation	**(95,111)**	21,005
Net (loss)/gain on foreign exchange	**(16)**	22
	(99,709)	27,749

3 Income from investments

	2008 £'000	2007 £'000
Franked		
Quoted investments	**10,206**	8,645
Special dividends (quoted)	–	101
Unquoted	**43**	43
	10,249	8,789
Unfranked		
Overseas dividend income	**1,374**	367
Property income dividends	**214**	7
Interest income	**137**	403
	11,974	9,566

4 Other interest receivable and similar income

	2008 £'000	2007 £'000
Deposit interest	**22**	133
Stock lending fees	**273**	17
Underwriting commission	**57**	10
	352	160

At 30 September 2008 the total value of securities on loan by the Company for stock lending purposes was £12,428,000 (2007: £8,290,000). The maximum aggregate value of securities on loan at any time during the year ended 30 September 2008 was £17,383,000 (2007: £9,654,000). The Company's agent holds collateral comprising FTSE 100 stocks with a market value amounting to 105% of the market value of any securities on loan.

Notes to the Financial Statements
continued

5	**Management fee** (all charged to revenue)	**2008 £'000**	2007 £'000
	Management fee	**1,319**	1,273
	Irrecoverable VAT thereon	**–**	206
	Write back of VAT (see note 22)	**(831)**	–
		488	1,479

A summary of the terms of the management agreement is given in the Directors' Report on page 15.

6	**Other administrative expenses**	**2008 £'000**	2007 £'000
	Directors' fees (see Directors' Remuneration Report on pages 28 and 29)	**90**	67
	Auditors' remuneration for audit services (i)	**22**	20
	AIC subscriptions	**22**	20
	Directors' and Officers' liability insurance	**13**	16
	Irrecoverable VAT	**9**	11
	Listing fees	**19**	21
	Loan facility fees	**42**	51
	Printing and postage	**27**	32
	Registrar's fees	**20**	17
	Stock lending fees (see note 4)	**68**	4
	Other expenses (ii)	**25**	51
		357	310

(i) As part of the share issue to Greene King Loan Note holders in 2007, the Company paid £184,000 in respect of professional advisers fees. These amounts which included £103,000 paid to the auditors in respect of non-audit services (£76,000 in respect of corporate finance advisory work and £27,000 in respect of other assurance work), were reimbursed in full by Henderson.

(ii) 'Other expenses' includes general expenses and marketing and share plan administration services for which no fees were payable in 2008 (2007: £39,000).

7	**Finance charges**	**2008 £'000**	2007 £'000
	On debenture stock repayable wholly or partly after more than one year but not more than five years.	**675**	675
	On bank loans and overdrafts repayable within one year	**2,025**	254
		2,700	929

Notes to the Financial Statements

continued

8 Taxation	Year ended 30 September 2008 Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 September 2007 Revenue return £'000	Capital return £'000	Total £'000
a) Analysis of tax charge for the year						
Overseas withholding tax	**82**	**–**	**82**	30	–	30
Less: overseas withholding tax recoverable	**(25)**	**–**	**(25)**	–	–	–
	57	**–**	**57**	30	–	30

b) Factors affecting the tax charge for the year	Year ended 30 September 2008 Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 September 2007 Revenue return £'000	Capital return £'000	Total £'000
Return/(loss) on ordinary activities before taxation	**8,781**	**(99,709)**	**(90,928)**	7,008	27,749	34,757
Corporation tax at 29% (2007: 30%)	**2,546**	**(28,915)**	**(26,369)**	2,102	8,325	10,427
Effects of:						
Non-taxable UK dividends	**(2,972)**	**–**	**(2,972)**	(2,637)	–	(2,637)
Other non taxable income	**(73)**	**–**	**(73)**	–	–	–
Overseas tax suffered	**57**	**–**	**57**	30	–	30
Excess expenses utilised	**520**	**–**	**520**	545	–	545
Income taxable in different periods	**(21)**	**–**	**(21)**	(20)	–	(20)
Disallowable expenses	**–**	**–**	**–**	10	–	10
Other capital loss/(return)	**–**	**28,915**	**28,915**	–	(8,325)	(8,325)
	57	**–**	**57**	30	–	30

Investment trusts are exempt from corporation tax on capital gains provided that the Company obtains agreement from HM Revenue and Customs in respect of each year that the tests under Section 842 of the Income and Corporation Taxes Act have been met.

Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

The Company has not recognised a deferred tax asset of £7,016,000 (2007: £6,962,000) arising as a result of having unutilised management expenses and eligible unrelieved foreign tax. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

Notes to the Financial Statements

continued

9 Return per ordinary share – basic and diluted

The return per ordinary share is based on the net loss attributable to the ordinary shares of £90,985,000 (year ended 30 September 2007: return of £34,727,000) and on 26,417,427 ordinary shares (year ended 30 September 2007: 25,039,409) being the weighted average number of ordinary shares in issue during the year. The return per ordinary share can be further analysed between revenue and capital, as below.

	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000
Net revenue return	**8,724**	6,978
Net capital (loss)/return	**(99,709)**	27,749
Net total (loss)/return	**(90,985)**	34,727
Weighted average number of ordinary shares in issue during the year	**26,417,427**	25,039,409
Revenue return per ordinary share	**33.0p**	27.9p
Capital (loss)/return per ordinary share	**(377.4p)**	110.8p
Total (loss)/return per ordinary share	**(344.4p)**	138.7p

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

10 Dividends paid and payable on the ordinary shares

Dividends on ordinary shares	**Register date**	**Payment date**	**2008 £'000**	2007 £'000
Final dividend (12.75p) for the year ended 30 September 2006	17 November 2006	22 December 2006	**–**	3,094
Interim dividend (9.0p) for the year ended 30 September 2007	18 May 2007	15 June 2007	**–**	2,185
Final dividend (14.50p) for the year ended 30 September 2007	14 November 2007	21 December 2007	**3,830**	–
Interim dividend (10.0p) for the year ended 30 September 2008	21 May 2008	20 June 2008	**2,642**	–
			6,472	5,279

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Previously dividends were recognised in respect of the period to which they related. The total dividend payable in respect of the financial year, which forms the basis of one of the tests under Section 842 of the Income and Corporation Taxes Act 1988, are set out below.

	2008 £'000
Revenue available for distribution by way of dividend for the year	**8,724**
Interim dividend (10.0p) for the year ended 30 September 2008	**(2,642)**
Proposed final (16.5p) for the year ended 30 September 2008 (based on 26,417,427 ordinary shares in issue at 11 November 2008)	**(4,359)**
Undistributed revenue for section 842 purposes *	**1,723**

*Undistributed revenue equates to 14.4% of income from investments of £11,974,000 (see note 3).

Notes to the Financial Statements

continued

11	**Investments held at fair value through profit or loss**	**Total £'000**
	Valuation at 1 October 2007	**295,604**
	Unrealised appreciation	**(47,979)**
	Cost at 1 October 2007	**247,625**
	Additions at cost	**87,908**
	Disposals at cost	**(71,479)**
	Cost at 30 September 2008	**264,054**
	Unrealised depreciation	**(57,437)**
	Valuation at 30 September 2008	**206,617**

Purchase transaction costs for the year ended 30 September 2008 were £513,000 (year ended 30 September 2007: £361,000), these comprise mainly stamp duty and commission. Sale transaction costs for the year ended 30 September 2008 were £82,000 (year ended 30 September 2007: £79,000).

The Company has interests of 3% or more of any class of capital in 20 investee companies. At 30 September 2008, no one company represented more than 5% of the investments.

12	**Debtors**	**2008 £'000**	2007 £'000
	Sales for future settlement	**2,864**	464
	Prepayments and accrued income	**1,561**	1,571
	Taxation recoverable	**75**	10
	VAT recoverable	**779**	–
	Other debtors	**–**	13
		5,279	2,058

13	**Creditors:** amounts falling due within one year	**2008 £'000**	2007 £'000
	Unsecured sterling loans and overdrafts	**27,586**	13,734
	Purchases for future settlement	**412**	1,402
	Debenture interest payable	**168**	168
	Other creditors	**435**	533
		28,601	15,837

14	**Creditors:** amounts falling due after more than one year	**2008 £'000**	2007 £'000
	11.25% debenture stock 2010, secured by a floating charge over the Company's assets (redeemable at par on 1 July 2010)	**6,000**	6,000
		6,000	6,000

Notes to the Financial Statements
continued

15 Financial risk management policies and procedures

As an investment trust the Company invests in equities and other investments for the long term so as to secure its investment objective and policy as stated on pages 13 and 14. In pursuing its investment objective and policy, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit and counterparty risk and the directors' approach to the management of these risks, are set out below. The Board and the Manager coordinate the Company's risk management.

The objectives, policies and processes for managing the risks, and the methods used to manage the risks that are set out below, have not changed from the previous accounting period.

15.1 Market price risk
The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises market price risk (see note 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). The Board reviews and agrees policies for managing these risks; these have remained substantially unchanged from those applying in the year ended 30 September 2007. The Portfolio Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risks
Market price risks (ie, changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of quoted and unquoted investments.

The Company's exposure to market prices at 30 September 2008 on its investments can be found on the Balance Sheet on page 33.

Management of the risk
The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Manager's compliance with the Company's objectives, including investment strategy and asset allocation.

Concentration of exposure to market price risks
An analysis of the Company's investment portfolio is shown on pages 8 and 9. This shows that the majority of the investments' value is in UK listed companies. Accordingly, there is a concentration of exposure to market price risk, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Market price risk sensitivity
The following table illustrates the sensitivity of the total return after taxation for the year and the net assets to an increase or decrease of 40% in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions.

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

Sensitivity analysis – Market prices
If prices change by 40%

	2008 If prices go up £'000	**2008 If prices go down £'000**	2007 If prices go up £'000	2007 If prices go down £'000
Investments	**206,617**	**206,617**	295,604	295,604
Impact on income statement:				
Revenue return (0.5% management fee rate)	**(413)**	**413**	(591)	591
Capital return	**82,647**	**(82,647)**	118,242	(118,242)
Impact on assets (excluding gearing)	**82,234**	**(82,234)**	117,651	(117,651)

15.1.2 Currency risk

A proportion of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and presentational currency). As a result, movements in exchange rates may affect the sterling value of those items.

Management of the risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Investment income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure and sensitivity

The Company's investments are predominantly in Sterling-based securities and its exposure to currency risk is not considered material.

15.1.3 Interest rate risk

Interest rate movements may affect:

- the fair value of investments of fixed interest securities
- the level of income receivable from interest-bearing securities and cash at bank and on deposit
- the interest payable on the Company's variable rate borrowings.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the loan facility. The Company, generally, does not hold significant cash balances, with short term borrowings being used when required. The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivative contracts have not been used during the year to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure at 30 September of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be re-set.

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

	2008 Within one year £'000	**2008 Total £'000**	2007 Within one year £'000	2007 Total £'000
Exposure to floating interest rates:				
Cash at bank	**1,116**	**1,116**	43	43
Creditors – within one year:				
Bank overdraft	**–**	**–**	(217)	(217)
Borrowings under loan facility	**(27,586)**	**(27,586)**	(13,517)	(13,517)
Total exposure to interest rates	**(26,470)**	**(26,470)**	(13,691)	(13,691)

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR (2007: same)
- Interest paid on borrowings under the loan facility is at a margin over LIBOR for the type of loan. The weighted average interest rate of these is 6.1% as at 30 September 2008 (2007: 6.2%).

The Company has a fixed interest rate exposure of £6,000,000 (2007: £6,000,000) to redeemable 11.25% debenture stock 2010 which is secured by a floating charge over the Company's assets.

Interest rate risk sensitivity

The Company is primarily exposed to interest rate risk through its loan facilities with ING and Royal Bank of Scotland. The sensitivity is as follows:

- Borrowings vary throughout the year as a result of the Board's borrowing policy. Net borrowings at the year end were £26,470,000 (2007: £13,691,000) and if that level of borrowings was maintained for a full year, then a 200 basis points change in LIBOR (up or down) would increase or decrease net revenue and total net return on ordinary activities after taxation by approximately £527,000 (2007: £272,000).

15.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has sterling loan facilities totalling £60,000,000 (2007: £30,000,000) and an overdraft facility with a sub custodian, the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company. The facilities are subject to regular review.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short-term borrowings be used to manage short term cash requirements.

The contractual maturities of the financial liabilites at 30 September based on the earliest date on which payment can be required are as follows:

Notes to the Financial Statements

continued

15 Financial risk management policies and procedures (continued)

	30 September 2008			30 September 2007		
	Due within one month £'000	**Due between 3 months and one year £'000**	**Due more than one year £'000**	Due within one month £'000	Due between 3 months and one year £'000	Due more than one year £'000
11.25% Debenture Stock 2010	**–**	**675**	**6,675**	–	675	7,350
Bank loans and interest	**27,618**	**–**	**–**	13,751	–	–
Other creditors & accruals	**823**	**–**	**–**	1,923	–	–
	28,441	**675**	**6,675**	15,674	675	7,350

15.3 Credit and counterparty risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

The risk is managed as follows:

– investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker

– cash at bank is held only with reputable banks with high quality external credit ratings.

The redeemable 11.25% debenture stock 2010 issued by the Company is secured by a floating charge over the Company's assets.

15.4 Fair values of financial assets and financial liabilities

The financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the loan facility).

The par value of the 11.25% debenture stock 2010 can be found in note 14. The fair value of the debenture stock at 30 September 2008 was £6,644,000 (2007: £6,855,000). The fair value is calculated using the prices quoted on the exchange on which the instrument trades.

15.5 Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that it will be able to continue as a going concern; and

– to maximise the revenue and capital return to its equity shareholders

through an appropriate balance of equity capital and debt.

The Company's capital at 30 September 2008 comprises its equity share capital, reserves and loans and debentures (as shown in notes 13 and 14) that are shown in the balance sheet at a total of £211,997,000 (2007: £295,602,000).

The Board, with the assistance of the Portfolio Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes into account the Manager's view on the market

Notes to the Financial Statements
continued

15 Financial risk management policies and procedures (continued)

– the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium) as well as the discount of the peer group and the level of the equity market

– the need for new issues of equity shares, including issues from treasury

– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

– borrowings under one loan facility are not to exceed 35% of the adjusted portfolio valuation

– borrowings under the other loan facility are not to exceed 45% of the adjusted net asset value

– as a public company, the Company has a minimum share capital of £50,000

– in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet the capital restriction tests imposed on investment companies by company law.

The Company has complied with these requirements.

16 Called up share capital

	2008 £'000	2007 £'000
Authorised		
80,000,000 (2007: 80,000,000) ordinary shares of 25p each	**20,000**	20,000
Allotted, issued and fully paid		
26,417,427 (2007: 26,417,427) ordinary shares of 25p each	**6,604**	6,604

In May 2007 the Company issued 2,149,473 ordinary shares at a price of 1126p to Greene King Loan Note holders. The total consideration received was £24,203,000. Further details can be found on page 56.

17 Share premium account

	2008 £'000	2007 £'000
At start of year	**53,561**	29,895
Shares issued	**–**	23,666
At year end	**53,561**	53,561

18 Capital reserve and other capital reserves

	Capital Redemption Reserve £'000	Unrealised Reserve £'000	Realised Reserve £'000	Total £'000
At 1 October 2007	**1,007**	47,979	159,563	**207,542**
Transfer on disposal of investments	–	(10,305)	10,305	–
Net losses on investments	–	(95,111)	(4,582)	**(99,693)**
Exchange differences	–	–	(16)	**(16)**
At 30 September 2008	**1,007**	(57,437)	165,270	**107,833**

The unrealised reserve at 30 September 2008 includes an unrealised gain of £536,000 (2007: £2,043,000) in respect of unquoted investments.

Notes to the Financial Statements

continued

18 Other capital reserves (continued)

Under the terms of the Company's articles of association, sums standing to the credit of capital reserves are distributable only by way of redemption or purchase of any of the Company's own shares, for so long as the Company carries on business as an investment company. Company law states that investment companies may only distribute accumulated "realised" profits.

The Institute of Chartered Accountants in England and Wales in its technical guidance TECH 01/08, states that profits arising out of a change in fair value of assets, recognised in accordance with accounting standards, may be distributed, provided the change recognised can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities, currently included within the unrealised capital reserve, may be regarded as distributable under company law.

This technical interpretation of the meaning of distributable reserves would, as a consequence, give rise at 30 September 2008 to capital reserves available for distribution of approximately £107,297,000 after adjusting unrealised capital losses of £57,437,000.

19 Revenue reserve

	£'000
At 1 October 2007	7,154
Net revenue for the year after tax	8,724
Dividends paid (note 10)	(6,472)
At 30 September 2008	9,406

20 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 £178,411,000 (2007: £275,868,000) and on 26,417,427 (2007: 26,417,427) shares in issue on 30 September 2008.

An alternative net asset value per ordinary share can be calculated by deducting from the total assets less current liabilities of the Company the debenture stock at market (or fair) value rather than at par (or book) value. The net asset value per ordinary share at 30 September 2008 calculated on this basis was 672.9p (2007: 1041.0p).

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

	2008 £'000
Total net assets at 1 October 2007	**275,868**
Total net loss on ordinary activities after taxation	**(90,985)**
Dividends paid in the year:	
Ordinary shares	**(6,472)**
Net assets attributable to the ordinary shares at 30 September 2008	**178,411**

Notes to the Financial Statements

continued

21 Capital commitments and contingent liabilities

Capital commitments

There were no capital commitments as at 30 September 2008 (2007: £nil).

Contingent liabilities

There were no contingent liabilities in respect of sub-underwriting participations as at 30 September 2008 (2007: £232,000) and nil paid shares (2007: £nil).

22 VAT on management fees

In 2004 the Association of Investment Companies (the "AIC"), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ("HMRC") to challenge whether Value Added Tax ("VAT") should be charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgement on the case in favour of the AIC. Since then, HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies. The manager (Henderson Global Investors Limited) will now be able to reclaim from HMRC the amount of VAT charged to the Company in respect of investment management services from 1 October 2000 to 30 June 2007, to the extent that such VAT was paid by the manager to HMRC. VAT has not been applied to investment management fees invoiced since June 2007.

Accordingly, VAT borne by the Company on investment management fees invoiced in the period from 1 October 2000 to 30 June 2007 has been written back, in accordance with an agreement reached between the Manager and the Company. An amount of £831,000 has been recognised, reflecting the extent to which recovery by the Company is considered to be virtually certain. The write back has been allocated to revenue return according to the allocation of the amounts originally paid.

The Company may be able to recover further amounts of the VAT charged on investment management fees back to 1990, in particular in respect of the period from 1 January 1990 to 4 December 1996 (following the decision of the House of Lords in the Fleming/Conde Nast case).The Company may also receive from the Manager any interest paid by HMRC on the amounts eventually recovered. With regard to both of these potential recoveries, the Board considers that there are currently too many uncertainties for any reasonable estimate of the amounts potentially recoverable during that period to be calculated.

23 Reconciliation of operating revenue to net cash inflow from operating activities

	2008 £'000	2007 £'000
Total (loss)/return before finance charges and taxation	**(88,228)**	35,686
Less capital loss/(return) before finance charges and taxation	**99,709**	(27,749)
Net revenue return before finance charges and taxation	**11,481**	7,937
Decrease/(increase) in prepayments and accrued income	**10**	(470)
(Increase)/decrease in other debtors	**(766)**	9
(Decrease)/increase in other creditors and accruals	**(111)**	94
Income tax suffered on property income dividends	**(45)**	–
Stock dividend included in investment income	**(180)**	–
Overseas withholding tax suffered	**(82)**	(30)
	10,307	7,540

Notes to the Financial Statements

continued

24 Analysis of changes in net debt	1 October 2007 £'000	Cash flow £'000	Exchange Movements £'000	30 September 2008 £'000
Net cash:				
Cash at bank	43	1,089	(16)	**1,116**
Creditors:				
Bank overdrafts	(217)	217	–	**–**
Loans falling due within one year	(13,517)	(14,069)	–	**(27,586)**
Debt falling due after more than one year	(6,000)	–	–	**(6,000)**
Net debt	(19,691)	(12,763)	(16)	**(32,470)**

25 Transactions with the management company

Under the terms of an agreement dated 19 February 1996 the Company has appointed subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, secretarial, administrative and UK custody services. Henderson has contracted with BNP Paribas Fund Services UK Ltd to provide accounting, administrative and custody services.

Details of the fee arrangements for these services are given in the Directors Remuneration Report on pages 28 and 29. The total of the fees paid or payable to Henderson under this agreement in respect of the year ended 30 September 2008 was £1,319,000 (2007: £1,273,000 excluding VAT). The amount outstanding at 30 September 2008 was £312,000 (2007: £330,000).

In addition to the above services, Henderson has provided the Company with product administration services (Share Plan and ISA), during the year. The total fees paid or payable for these services for the year ended 30 September 2008 amounted to £nil (2007: £39,000), of which nothing was outstanding at 30 September 2008 (2007: £30,000).

Notice of Annual General Meeting

Notice is hereby given that the Forty-Eighth Annual General Meeting of Lowland Investment Company plc will be held at 201 Bishopsgate, London EC2M 3AE on Thursday, 18 December 2008 at 11.30 am for the purpose of transacting the following business of the Company:

Ordinary Business

1 To receive the Annual Report and Financial Statements for the year ended 30 September 2008.

2 To approve the Directors' Remuneration Report for the year ended 30 September 2008.

3 To declare a final dividend of 16.5p per ordinary share.

4 To re-elect Mr J P D Hancox as a Director.

5 To re-elect Mr M B Moule as a Director.

6 To re-elect Mr P J C Troughton as a Director.

7 To re-appoint PricewaterhouseCoopers LLP as registered Auditors to the Company.

8 To authorise the Directors to determine the Auditors' Remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions, as to which resolution 9 shall be proposed as an ordinary resolution and resolutions 10, 11 and 12 shall be proposed as special resolutions:

As an Ordinary Resolution

9 THAT the Board be and is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £660,435 (or 2,641,742 ordinary shares of 25p each, being 10% of the issued share capital at the date of this notice) PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The Directors may only use this authority when it is advantageous to the Company's existing shareholders.

As a Special Resolution

10 THAT, subject to the passing of the previous resolution, the Board be and is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) and to sell relevant shares (within the meaning of Section 94 of the said Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 162A of the said Act) for cash pursuant to the authority conferred by the previous resolution as if Section 89(1) of the said Act did not apply to any such allotment or sale PROVIDED THAT this power shall be limited:

(a) to the allotment of equity securities up to an aggregate nominal value of £660,435 (or 2,641,742 ordinary shares, being 10% of the issued share capital at the date of this Notice);

(b) to the allotment of equity securities at a price of not less than net asset value per share; and

(c) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

As a Special Resolution

11 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25p each in the capital of the Company provided that:

(a) the maximum number of shares which may be purchased is 14.99% of the Company's issued ordinary share capital at the date of the Annual General Meeting (equivalent to 3,959,972 ordinary shares at the date of this notice);

(b) the maximum price (exclusive of expenses) which may be paid for a share shall not exceed 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase;

Notice of Annual General Meeting
continued

(c) the minimum price (exclusive of expenses) which may be paid for a share shall be 25p, being the nominal value per share;

(d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may, before such expiry, enter into a contract to purchase shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares in pursuance of any such contract; and

(e) any shares so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and any applicable regulations of the United Kingdom Listing Authority, held as treasury shares.

As a Special Resolution

12 THAT The Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By Order of the Board

Josie Havita ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
11 November 2008

Registered Office:
To 17 November 2008
4 Broadgate
London
EC2M 2DA

From 17 November 2008
201 Bishopsgate
London
EC2M 3AE

Notice of Annual General Meeting

continued

Notes:

1 A member entitled to attend and vote at the Annual General Meeting ("AGM") may appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, to vote on his or her behalf.

2 A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bristol BS99 7NH not less than 48 hours before the time of the AGM. Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person.

3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the AGM or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the register of members of the Company by 11.30am on 16 December 2008 (or on the date 2 days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4 Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which Annual Report and Financial Statements were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

6 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Notice of Annual General Meeting

continued

7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8 If you submit more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

9 The issued share capital of the Company is 26,417,427. The total number of voting rights in the Company is 26,417,427.

10 The following documents are available for inspection at the registered office during normal business hours on any weekday and will be available at the place of the AGM from 15 minutes before the meeting until it ends:

- The Directors' letters of appointment.
- Copies of the current and proposed Articles of Association of the Company.

Appendix Explanatory Notes to the Notice of Annual General Meeting of the principal changes to the Company's Articles of Association

It is proposed in resolution 12 to adopt new articles of association (the "New Articles") in substitution for and in order to update the Company's current articles of association (the "Current Articles"), primarily to take account of changes in English company law brought about by the Companies Act 2006. As the Companies Act 2006 is being implemented in phases further changes to the Articles may be proposed in the future.

The principal changes introduced in the New Articles are summarised in this Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in this Appendix.

1. Form of resolution

The concept of extraordinary resolutions has not been retained under the Companies Act 2006 and therefore all such references have been removed in the New Articles. All resolutions of the Company will therefore be passed as ordinary or special resolutions, as applicable.

2. Convening annual general meetings and other meetings (New Articles – Article 50 and following)

The provisions in the Current Articles dealing with the convening of general meetings are being changed in line with the relevant matters provided for in the Companies Act 2006. In particular an extraordinary general meeting (now called a "general meeting") to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. The New Articles reflect this. Under the Companies Act 2006, 21 days' notice is generally still required in respect of the Company's AGM.

3. Votes of members (New Article – Articles 67, 72 and 78 and following)

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The Companies Act 2006 also allows for multiple corporate representatives to be appointed, but if they purport to exercise their rights in different ways, the corporation is deemed to have abstained from exercising its vote. The New Articles reflect these changes.

4. Retirement of directors

The Current Articles require that the Directors must provide details in the AGM notice of the age of any person who will be proposed for appointment or re-appointment as a director at the AGM where at the date of the AGM he/she has attained the age of 70 years or more. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so is not retained in the New Articles.

5. Conflicts of interest (New Articles – Articles 102 to 111)

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation.

The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions so that the relevant company's directors may avoid breaching their duties. The New Articles give the directors authority to approve conflicts and potential conflicts of interest and include other provisions to allow conflicts of interest to be dealt with in a similar way to that which was set out in the Current Articles.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Appendix Explanatory Notes to the Notice of Annual General Meeting of the principal changes to the Company's Articles of Association (continued)

The New Articles also introduce provisions relating to the receipt of confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the positions giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

The new conflicts of interest provisions only become effective when the New Articles are adopted. In the period between 1 October 2008 and such adoption, the Company will have no mechanism for approving conflicts which occur under section 175 of the Companies Act 2006. Any such conflicts of interest which arise between 1 October 2008 and the date of the adoption will, therefore, need to be ratified by the Company at the AGM following the approval of the New Articles.

6. Electronic and web communications (New Articles – Article 149 and following)

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

The Company is not as yet writing to shareholders to request their permission to communicate electronically with shareholders. However it will review the position.

Annual General Meeting Venue

Henderson Global Investors is located in the City of London at Bishopsgate. It is a few minutes walk from Liverpool Street Station, Bank and Moorgate Underground Stations.

Glossary of Terms

AIC
The Association of Investment Companies (formerly the Association of Investment Trust Companies, the AITC).

Benchmark
The FTSE All-Share Index.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Gearing
The gearing percentage reflects the amount of borrowings (ie bank loans and debentures) the Company has used to invest in the market. In a falling market, the gearing effect will have a negative contribution to performance, whereas in a rising market it will have a positive contribution.

There are several methods of calculating gearing and the following has been selected:

Investments less short dated gilts as a percentage of equity shareholders' funds minus 100.

Investment Trusts
Investment trusts are public limited companies, quoted on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments. Income, net of expenses and tax, is substantially distributed to shareholders.

Net Asset Value (NAV) per Ordinary Share
The value of the Company's assets (investments and cash held) less any liabilities (bank loans and debentures) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as shareholders' funds on the Balance Sheet. The NAV per share is published daily.

Premium/Discount
The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV.

Total Expense Ratio
This is the total expenses incurred by the Company in the year expressed as a percentage of the average shareholders' funds over the year.

Total Returns
This is the return on the share price or net asset value per share taking into account both the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Trust's assets (for net asset value total return).

Website
Further information on the Company can be found on **www.lowlandinvestment.com**

Investor Information

Disability Discrimination Act

Copies of this Annual Report and Financial Statements or other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

You can contact our Registrars, Computershare Investor Services PLC, which have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly without the need for an intermediate operator by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

For investors through the Itshenderson Investment Trust Share Plan or ISA, a textphone telephone service is available on 0870 240 1847. This service is available during normal business hours.

Capital Gains Tax Information

The calculation of the tax on chargeable gains will depend on personal circumstances. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

For information, the market price of the Company's shares at the close of business on 31 March 1982 was 29.16667 pence per ordinary 25p share (adjusted for the 2 for 1 bonus issue on 29 July 1985).

BACS

Dividends and interest can be paid to shareholders and stockholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on the inside back cover) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Information

The share price, net asset value and other information can be found on the website: **www.lowlandinvestment.com** The net asset value is published daily. 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 053 6806. Investors with share certificates (ie not those in the Share Plan or an ISA) can check their shareholding with our Registrars, Computershare Investor Services PLC. The link can be found via **www.computershare.com**

Results

The Company announces full year results in November and half year results in May.

Dividends

The Company pays an interim dividend in June and a final dividend in December.

Reconstruction of Securities Trust of Scotland

In June 2005, 2,942,749 ordinary shares were allotted to 1,328 new shareholders in connection with the reconstruction of Securities Trust of Scotland at a price of 734.0074p per share, a premium to net asset value of 1.5%.

Acquisition of Greene King Loan Notes

In May 2007, 2,149,473 ordinary shares were allotted to the holders of loan notes issued by Greene King. The loan notes were valued for the purposes of this transaction at 98.6093 pence each (£1 nominal) and this value included 1.73 pence of accrued income. Lowland shares were issued at 1126 pence each under the formula set out in the Company's prospectus. Accordingly for each loan note held, 0.087575 new Lowland shares were issued, or for every 1,000 loan notes held, 875 shares were issued.

Investor Information

continued

Directors
John P D Hancox (Chairman)
Rupert G M L Barclay (Chairman of the Audit Committee)
Dr Tracy E Long
Michael B Moule
Peter J C Troughton

Investment Manager
Henderson Global Investors Limited,
authorised and regulated by the Financial
Services Authority
Portfolio Manager: James Henderson
Deputy Portfolio Manager: Ben Lofthouse

Secretary
Henderson Secretarial Services Limited,
represented by Josie Havita ACIS

Registered Office
4 Broadgate
London EC2M 2DA
Telephone: 020 7818 1818
Facsimile: 020 7818 1819

From 17 November 2008
201 Bishopsgate
London EC2M 3AE

Registered Number
Registered in England and Wales No. 670489

aic
The Association of
Investment Companies

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol BS99 6ZZ
Telephone: 0870 707 1117

Independent Auditors
PricewaterhouseCoopers LLP
Hays Galleria
1 Hays Lane
London SE1 2RD

Stockbroker
JPMorgan Cazenove
20 Moorgate
London EC2R 6DA

Custodian
The Bank of New York Europe Ltd
One Canada Square
London E14 5AL

Henderson ISAs
Henderson Investment Management Limited
Block C, Western House
Lynch Wood Business Park
Peterborough PE2 6BP
Telephone: 0800 832 832

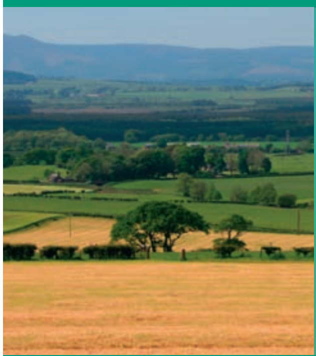
Itshenderson ISA and Share Plan Holders
Itshenderson Administrator
PO Box 4605
Worthing BN99 6QY
Telephone: 0845 712 5432

Warning to Shareholders

Over recent months many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based ‘brokers’ who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company’s Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment ‘advice’.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided on this page.



Lowland Investment Company plc is managed by

Henderson Global Investors

This report is printed on 9lives, a paper containing 55% recycled fibre & 45% FSC accredited virgin fibre. Pulps used are elemental chlorine free manufactured at a mill accredited with the ISO 14001 environmental management system.

The FSC logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council.

Printed by Leycol, London

HGI9222/2008