GLASGOW INCOME TRUST plc
COMPANY NO: 111955 (SCOTLAND)
ACCOUNTS FOR YEAR ENDED 30 SEPTEMBER 200.

Directors' Report

Status of the Company

The Company, which was incorporated in 1988, has received approval as an investment trust by the Inland Revenue for all accounting periods up to and including 30 September 2002 and has since continued to conduct its affairs so as to enable it to retain such approved status. It is a member of the Association of Investment Trust Companies. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Results and Dividends

The financial statements for the year ended 30 September 2003 appear on pages 25 to 38.

A final dividend of 1.76p per share is proposed which, together with the interim dividends already paid or declared, takes the total dividends for the year to 4.85p per share (2002 – 4.85p).

Activities

The Company is an authorised investment trust. Its subsidiary undertaking, G.I.T. Securities Limited, operates as an investment dealing company.

Review of the Business

A review of the business is given in the Chairman's Statement and the Investment Managers' Review.

Directors

The Directors are shown on page 8. All held office throughout the year with the exception of K. Hart who was appointed on 12 May 2003. R.G. Hanna retires by rotation and, being eligible, offers himself for re-election. K. Hart, having being appointed since the last Annual General Meeting, retires from office and offers himself for election.

The interests of the Directors in office at at 30 September 2003 in the ordinary shares of 25p each in the Company, all of which were beneficial, were as follows:

	30 September 2003	30 September 2002
R.G. Hanna	**20,979**	19,318
I.M. Boyd	**30,000**	30,000
K. Hart	-	-

R.G. Hanna holds all of his beneficial holding through The Glasgow PEP. As a result of a standing arrangement to acquire shares in the Company by reinvestment of dividends, his beneficial holding has increased by 36 shares during the period 1 October 2003 to 7 November 2003.

There have been no other changes in the Directors' interests between 1 October 2003 and 7 November 2003.

No Director has a service contract with the Company of its subsidiary undertaking.

Corporate Governance
The Board has put in place Corporate Governance arrangements which it believes are appropriate for an investment trust company and enable the Company to comply with the relevant Principles of Good Governance and Code of Best Practice ("the Combined Code") published by the Committee on Corporate Governance in June 1998.

The Board
The Board currently consists of three non-executive Directors who are independent of the Managers. Biographies of the Directors appear on page 8.

The Board considers that the post of chief executive officer is not relevant in the context of an investment trust as this role has effectively been delegated to Glasgow. Similarly, the Board does not believe that there is a need for a senior independent director, in addition to the separate role of Chairman and the existence of the Audit Committee.

The Board has appointed Glasgow to manage the Company's investment portfolio within guidelines set by the Board and to provide it with accounting and secretarial services. Glasgow provides the Board with monthly reports on the Company's activities. The Board has a formal schedule of matters specifically reserved to it for decision including an annual review of the Managers and management agreement. There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice of Glasgow as secretaries of the Company.

Audit Committee
The Audit Committee, comprising all of the Directors of the Company, meets at least twice per year to coincide with the annual and interim reporting cycle. The Chairman is R.G. Hanna. The principal role of the Audit Committee is to review the annual and interim financial statements, the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements. The external auditors attend at least one meeting of the Audit Committee per year.

Nominations Committee
The Nominations Committee, which comprises all of the Directors, considers appointment of new Directors. Under the Articles of Association, (i) new Directors are subject to re-election at the first Annual General Meeting after their appointment and (ii) a Director who has reached the age of seventy must retire at the end of the next Annual General Meeting. Directors do not have a service contract or fixed term in office, but they are required to submit themselves for re-election every three years. As the composition of the Board is expected to reflect a breadth of commercial, professional and industrial experience, new Directors are provided with sufficient guidance and instruction to enable them to understand the economic environment in which investment trusts operate and carry out an effective and objective evaluation of the Company's performance therein.

Relations with Shareholders
All shareholders have the opportunity to attend and vote at Annual General Meetings at which Directors and Managers are available to discuss key issues affecting the Company.

As recommended by the Combined Code, the Company announces the proxy votes cast at general meetings.

At least twenty working days' notice is given of the Annual General Meeting.

Internal Control

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

Under the Combined Code, it is a requirement that the Board reviews the effectiveness of the Company's system of internal controls at least annually, comprising all controls including financial, operational, compliance and risk management. To achieve this, the Board has in place regular review procedures for the identification, evaluation and management of significant risks to the Company, to enable full compliance with guidance issued in September 1999 by the Turnbull Committee. This process has been in place throughout the year under review and up to date of the approval of the Annual Report.

The Board has delegated certain functions. The main service providers are Glasgow, the Managers and Secretaries; HSBC Bank plc, the custodian; and Lloyds TSB Registrars Scotland, the registrars. Glasgow provides the Board with monthly reports, which cover investment activities and financial matters, and with periodic reports on its control procedures and its system of internal financial control. An independent custodian, HSBC Bank plc, is appointed to safeguard the Company's investments, which are registered in the name of the custodian's nominee company. In view of the controls that are in place, the Directors do not consider that there is any need for an internal audit function.

Investment Manager ("Glasgow")

Performance

The principal objectives of the Trust are to provide shareholders with a high level of income and to obtain both income and capital growth over the longer term.

Glasgow has consistently achieved a high level of income generation which has supported a relatively high dividend yield compared to the Trust's benchmark, the FTSE All-Share Index. In terms of capital performance over the last five years the Trust has outperformed the FTSE All-Share Index in terms of both Net Asset Value and Share Price return. Performance statistics are shown on page 4. Page 15 contains details of the 10 year historical record.

The Board considers that Glasgow is managing the Trust in a manner which is fulfilling the objectives of the Trust and its shareholders.

Investment Management Agreement

The key terms of the Investment Management Agreement and specifically, the fee charged by Glasgow and how it is calculated are set out in note 3 to the accounts. The Board believes the fee charged by Glasgow is competitive with reference to other investment trusts with a similar investment mandate and is not excessive given the level of service provided by Glasgow.

Summary
In the opinion of the Directors the continuing appointment of Glasgow on the terms agreed is in the interest of Shareholders as a whole.

Compliance with the Provisions of the Combined Code
Subject to the special circumstances of the Company as an investment trust, the Company has complied with the provisions set out in section 1 of the Combined Code throughout the year and up to the date of approval of this Annual Report.

Going Concern
The Directors consider that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason they continue to apply the going concern basis in preparing the financial statements.

Responsibilities as an Institutional Shareholder
In October 2002, The Institutional Shareholder' Committee, of which the AITC is a member, published a Statement of Principles setting out best practice guidelines designed to enable institutional shareholders to derive the best possible value out of the companies in which they invest. The following General Policy is a statement of the procedures and policies followed by the Board in discharging its responsibilities over all invested companies.

General Policy
The Board delegates to the Managers, Glasgow, responsibility for selecting the portfolio of investments, within the investment guidelines established by the Board after discussion with Glasgow, and for monitoring the performance and activities of invested companies by a combination of broker and internally generated research, assisted by independent research consultants. The research on a company comprises an evaluation of fundamental details such as financial strength, quality of management, market position and product differentiation, plus an appraisal of issues relevant to it including environmental matters. Glasgow's monthly reports to the Board include details of the performance of investee companies.

The Company's voting rights in respect of investee companies are delegated to the Managers, who do not automatically exercise these votes in pursuit of a fixed policy, but consider each case on its merits. The primary aim of the use of voting rights is to ensure a satisfactory return from investments. In respect of contentious issues the Managers report to the Board prior to voting.

Payment Policy
The Company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms. The Company does not have trade creditors.

Substantial Interests
As at 7 November 2003 the Company had received notification of the following interests in its ordinary shares:

	Number of Shares	% of total
Glasgow Investment Managers Limited as manager of The Glasgow TrustPlan, The Glasgow PEP and The Glasgow ISA	7,542,703	20.4

Directors' Remuneration Report
This Annual Report contains for the first time a new report in accordance with the Directors' Remuneration Report Regulations 2002. Under these Regulations, the report, which appears on page 21, must be approved by the Directors and laid before the Members of the Company at the same time as the audited financial statements and be the subject of a separate resolution as part of the Ordinary Business at the Annual General Meeting. Accordingly, Resolution 2 will be proposed as an ordinary resolution to enable Members either to show their approval of the contents of the Directors' Remuneration Report by voting "For" the resolution, or to show their disapproval by voting "Against" the resolution.

Continuation Vote
The Articles of Association provide that at the fifth Annual General Meeting of the Company, and at each fifth Annual General Meeting thereafter, if applicable, an ordinary resolution is to be proposed that the Company should continue as an investment trust for a further five year period. As the forthcoming Annual General Meeting is the fifteenth Annual General Meeting of the Company, Resolution 7 will be proposed accordingly.

Authority to Allot Shares
At the Annual General Meeting of the Company held on 18 December 2002, shareholders gave Directors the authority under Section 80 of the Companies Act 1985 ("the Act") to allot shares in the Company. Although that authority does not expire until December 2007, it is considered that it would be prudent to renew it at the forthcoming Annual General Meeting for a five year period, as permitted by the Act.

Accordingly, Resolution 8 will be proposed as an ordinary resolution giving the Directors general authority to allot shares in the Company to the extent of one third of the Company's present issued ordinary share capital.

Authority to Disapply Statutory Pre-emption Rights
The power given to Directors at the last Annual General Meeting to allot shares for cash otherwise than in accordance with statutory pre-emption rights expires on the date of the forthcoming Annual General Meeting. Since in certain circumstances it may be in the best interest of the Company to issue shares for cash otherwise than *pro rata* to existing shareholders, the Directors consider that it is appropriate for this power to be renewed at the forthcoming Annual General Meeting. Accordingly, Resolution 9 will be proposed as a special resolution giving the Directors power to allot for cash, as if section 89(1) of the Act did not apply, equity securities in connection with a rights issue and, provided the shares are issued at a price not less than their underlying fully diluted net asset value, in other cases up to an aggregate nominal amount of £1,850,755, which is equivalent onto approximately 20% of the present issued ordinary share capital of the Company. This power will require to be renewed the Annual General Meeting in 2004. New shares will be issued only in compliance with the policies of the UK Listing Authority concerning the issuing of new shares for cash.

Authority to Buy Back Shares
The resolution passed at the last Annual General Meeting to authorise the Company to make market purchases of up to 14.99% of its own ordinary shares expires on the date of the forthcoming Annual General Meeting. Accordingly, Resolution 10 will be proposed as a special resolution to renew this authority for a further year.

Auditors

On 1 August 2003, Deloitte & Touche, the Group's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Group's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touch LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Group's auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

for Glasgow Investment Managers Limited
Secretaries

13 November 2003

Directors' Remuneration Report

Policy
The board as a whole reviews and sets the rates of remuneration payable to each Director with effect from the annual review date of 1 October each year. The Board is aware that these should be comparable to market rates in order to attract and retain directors of the appropriate calibre and reflect the time spent and responsibilities borne by Directors in exercising the stewardship required of the Company. In setting these rates, the Board acts principally on advice from the Managers, Glasgow Investment Manages Limited ("Glasgow"), who monitor rates of directors' remuneration in companies of comparable size and activities and carry out any other relevant research requested by the Board. No separate remuneration committee has been constituted in view of the level of work delegated to Glasgow. Further details of the services provided by Glasgow are contained in note 3 to the financial statements.

The Board considers that the present policy to remunerate Directors exclusively by fixed fees in cash is appropriate and adequate for the Company in its present and foreseeable circumstances and there are no plans to introduce additional or alternative remuneration schemes.

No Director has a service contract with the Company or its subsidiary undertaking.

Directors' Remuneration Rates
The annual rates of remuneration with effect from 1 October 2002 were £13,500 for the Chairman and £10,000 for each other Director. The rates for the forthcoming year commencing 1 October 2003 are unchanged.

The Articles of Association of the Company set a maximum aggregate limit within a financial year for non-executive directors' remuneration. This limit, which was last adjusted by a special resolution at the Annual General Meeting of the Company held in December 1995, is £40,000 per annum, subject to annual upward adjustment on 1 October each year in line with the change in the Retail Price Index from October 1995. The limit for the year ended 30 September 2003 was therefore £47,423.
The total fee payable to each Director who served during the present and previous financial years for the Company is shown in the following table (audited):

	Group and Company	
	2003	2002
	£	£
R. G. Hanna (Chairman)	**13,500**	12,750
I. M. Boyd	**10,000**	9,500
N. L. Murray (resigned 19 May 2003)	**5,833**	9,500
K. Hart (appointed 12 May 2003)	**4,167**	-
	£33,500	£31,750

There is no performance related remuneration scheme such as an annual bonus, or a long-term incentive such as the granting of share options. The Company does not operate a pension scheme for the Directors and no Director received any form of remuneration during the present or preceding financial years other than the fees shown above (audited).

Performance
The Absolute Performance graph on page 5 of this Annual Report shows the total return to an investor in the Company as measured both on a share price and net asset value basis, both with dividends reinvested, during the five years ended 30 September 2003, together with the

performance over the same period of the FTSE All-Share Index (Total Return), the benchmark index most appropriate to this Company.

Approved by the Board of Directors on 13 November 2003 and signed on its behalf.

R. G. Hanna, Chairman

Directors' Responsibilities in relation to the preparation of the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the total return of the Group for the year then ended. 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; and
- State whether applicable accounting standards have been followed.

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

Independent Auditors' Report to the Members of Glasgow Income Trust plc

We have audited the financial statements of Glasgow Income Trust plc for the year ended 30 September 2003 which comprise the Consolidated Statement of Total Return, the Balance Sheets, the Consolidated Cash Flow Statement, and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having being audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' Remuneration Report. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having being audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 described as having being 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 not consistent with the financial statements, if 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 transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the Directors' Remuneration Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Independent Auditors' Report to the Members of Glasgow Income Trust plc *(Continued)*

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 described as having being 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 circumstances of the Company and the Group, 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 described as having been 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 described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2003 and of the total return of the Group for the year then ended; and
- the financial statements and part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow
13 November 2003

Consolidated Statement of Total Return

(incorporating the Revenue Account*)
for the year ended 30 September 2003

	Notes	2003 Revenue £000	2003 Capital £000	2003 Total £000	2002 Revenue £000	2002 Capital £000	2002 Total £000
Gains/(Losses) on investments	11	-	**2,098**	**2,098**	-	(5,694)	(5,694)
Income	2	**2,264**	-	**2,264**	2,238	-	2,238
Investment management fee	3	**(89)**	**(89)**	**(178)**	(108)	(108)	(216)
Other administrative expenses	4	**(171)**	-	**(171)**	(170)	-	(170)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		**2,004**	**2,009**	**4,013**	1,960	(5,802)	(3,842)
Finance costs of borrowings	6	**(17)**	**(17)**	**(34)**	(71)	(71)	(142)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,987**	**1,992**	**3,979**	1,889	(5,873)	(3,984)
Taxation	7	**(191)**	**32**	**(159)**	(207)	104	103
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	8	**1,796**	**2,024**	**3,820**	1,682	(5,769)	(4,087)
Dividends on equity shares	9	**(1,795)**	-	**(1,795)**	(1,777)	-	(1,777)
TRANSFER TO/ (FROM) RESERVES	21	**1**	**2,024**	**2,025**	(95)	(5,769)	(5,864)
Return per share	10	**4.85p**	**5.47p**	**10.32p**	4.92p	(16.88)p	(11.96)p
Dividends per share	9	**4.85p**			4.85p		

*The revenue column of this statement is the consolidated revenue account of the Group.

The accompanying notes are an integral part of this statement.

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

No operations were acquired or discontinued in the year.

Balance Sheets

as at 30 September 2003

	Notes	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
FIXED ASSETS					
Listed investments	11	**34,782**	34,793	**34,782**	34,793
Subsidiary undertaking	12	**-**	-	**5**	5
		34,782	34,793	**34,787**	34,798
CURRENT ASSETS					
Debtors	13	**613**	1,949	**613**	2,089
Investments of dealing subsidiary undertaking	14	**-**	128	**-**	-
Cash at Bank		**339**	-	**339**	-
		952	2,077	**952**	2,089
CREDITORS					
Amounts falling due within one year	15	**(1,487)**	(5,208)	**(1,516)**	(5,208)
NET CURRENT LIABILITIES		**(535)**	(3,131)	**(564)**	(3,119)
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,247**	31,662	**34,223**	31,679
CREDITORS					
Amounts falling due after more than one year	16	**(13,085)**	(12,525)	**(13,085)**	(12,525)
NET ASSETS		**21,162**	19,137	**21,138**	19,154
CAPITAL AND RESERVES					
Called up share capital	17	**9,254**	9,254	**9,254**	9,254
Share premium account	18	**4,837**	4,837	**4,837**	4,837
Special reserve	19	**5,000**	5,000	**5,000**	5,000
Realised capital reserve	20	**4,085**	6,604	**4,085**	6,604
Unrealised capital reserve	20	**(2,930)**	(7,473)	**(2,930)**	(7,473)
Revenue reserve	21	**916**	915	**892**	932
EQUITY SHAREHOLDERS' FUNDS		**21,162**	19,137	**21,138**	19,154
Net asset value per share	10	**57.17p**	51.70p		

Approved by the Board of Directors on 13 November 2003 and signed on its behalf.

R. G. Hanna *Chairman*

The accompanying notes are an integral part of these balance sheets.

Consolidated Cash Flow Statement

for the year ended 30 September 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
OPERATING ACTIVITIES					
Dividends and interest received from investments			**1,959**		1,925
Income tax recovered			**-**		65
Deposit interest received			**38**		13
Dealing subsidiary receipts			**366**		120
Other cash received			**136**		300
Administrative expenses paid			**(352)**		(387)
Payments to and on behalf of Directors			**(36)**		(32)
Dealing subsidiary payments			**(188)**		(277)
NET CASH INFLOW FROM OPERATING ACTIVITIES	22		**1,923**		1,727
SERVICING OF FINANCE					
Interest paid			**(61)**		(121)
TAXATION					
Corporation tax paid			**(201)**		-
INVESTING ACTIVITIES					
Purchases of investments		**(10,178)**		(19,045)	
Sales of investments		**12,847**		16,100	
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			**2,669**		(2,945)
EQUITY DIVIDENDS PAID			**(1,795)**		(1,626)
			2,535		(2,965)
FINANCING					
Issues of shares		**1,427**		1,496	
Debt due within one year					
-(decrease)/ increase in short-term borrowings		**(2,700)**		2,000	
			(1,273)		3,496
INCREASE IN CASH	24		**1,262**		531

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The financial statements of the Company and of the Group have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP) issued by the Association of Investment Trust Companies in 2003. The principal accounting policies are as follows:

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified to include the revaluation of fixed asset investments and on the assumption that approval as an investment trust will continue to be granted.

(b) Consolidation

The Group financial statements consolidate the results of the Company and its subsidiary undertaking under the acquisition method of accounting.

The Company has availed itself of the relief from showing a revenue account for the parent company, granted under Section 230 of the Companies Act 1985.

(c) Investments

Listed investments of the Company are valued at middle market prices ruling on the balance sheet date. The Company enters into option contracts to limit its exposure to volatility in the stockmarket. Gains and losses on these contracts are recognised in the period to which the gains and losses of the underlying ordinary share portfolio relate.

(d) Gains and losses on investment transactions

Company

Gains and losses arising on sales of investments are taken to realised capital reserve. Unrealised appreciation or depreciation of investments held is taken to unrealised capital reserve.

Investment dealing subsidiary undertaking

Investments held are shown as current assets at the lower of cost and market value. Gains and losses arising on the sale of these investments are dealt with in the revenue account.

(e) Income and expenditure

Dividends are credited to revenue on the date when the investment is first quoted ex-dividend at the amount receivable without any attributable tax credit.

Premiums on traded option contracts are recognised as income whenever the options expire or are exercised or assigned.

Interest from debt securities is included on an accruals basis which is not materially different from the effective yield basis recommended by the SORP. Amounts receivable at the balance sheet date are included in current assets as accrued income.

Underwriting commission is taken to revenue, unless any shares underwritten are required to be taken up, in which case the commission received is deducted from the cost of the investment.

The finance costs of borrowings and the investment management fee are charged 50% to capital and 50% to revenue, net of tax relief, being the expected long-term split of returns in the form of capital gains and income from the Company's entire investment portfolio.

Costs related to the Zero Coupon Finance (ZCF) arrangements are currently deferred in the Balance Sheet with the intention of expensing these costs when the ZCF expires in 2005. This policy is not materially different from the amortisation method recommended in the SORP. The policy in the prior period was to recognise the premiums when they expired, were exercised or assigned. This change in accounting policy has had no effect on the current or prior period results.

Notes to the Financial Statements
(continued)

(f) Taxation
Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. The implementation of this standard has had no effect on the results of the current or prior periods results.

2. INCOME

	2003	2002
	£000	£000
Income from investments		
UK dividend income	**1,333**	1,199
UK unfranked investment income	**614**	600
Overseas interest	**89**	158
	2,036	1,957
Other income		
Deposit interest	**40**	10
Underwriting commission	**-**	3
Profits less losses of dealing subsidiary undertaking	**50**	(29)
Traded option premiums	**138**	297
	228	281
TOTAL INCOME	**2,264**	2,238

3. SECRETARIAL AND MANAGEMENT FEE
Glasgow Investment Managers Limited ("*Glasgow*") acts as investment managers and secretaries to the Company under a contract which is subject to one year's notice of termination. The fee is at an annual rate of 0.5% of the amount of shareholders' funds plus short and medium-term funding calculated monthly and paid quarterly. Short-term borrowings of the lower of £6,500,000 and the actual level of borrowings are included in the amount on which the fee is calculated. The value of the Company's holdings in any company from which *Glasgow* already receives a management fee is excluded. £12,500 (plus VAT) of the annual total fee is in respect of secretarial services and is allocated to revenue. The remainder of the fee is allocated 50% to capital and 50% to revenue. The Company also pays *Glasgow* an annual fee of £7,000 (plus VAT) for services in relation to the Company's participation in The Glasgow PEP.

4. OTHER ADMINISTRATIVE EXPENSES

		2003			2002	
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	***£000***	***£000***	*£000*	*£000*	*£000*
Directors' remuneration - fees	**34**	**-**	**34**	32	-	32
Auditors' remuneration - audit fee	**11**	**-**	**11**	10	-	10
Fees payable to auditors for other services	**-**	**-**	**-**	1	-	1
Other expenses	**126**	**-**	**126**	127	-	127
	171	**-**	**171**	170	-	170

5. DIRECTORS' REMUNERATION
The Company had no employees during the year (2002 - £Nil)

No pension contributions were paid for Directors (2002 - £Nil)

Further details on Directors' Remuneration can be found in the Directors' Remuneration report on page 21.

6. FINANCE COSTS OF BORROWINGS

	2003			2002		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Bank loans and overdrafts repayable within five years	**17**	**17**	**34**	71	71	142

7. TAXATION

	2003			2002		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Notional corporation tax at 30%	**32**	**(32)**	**-**	104	(104)	-
Corporation tax at 30%	**159**	**-**	**159**	103	-	103
	191	**(32)**	**159**	207	(104)	103

All management expenses arising on Revenue items brought forward from previous years and arising this year were relieved against taxable revenue. By relieving £107,000 of surplus management expenses arising on Capital items against the remaining taxable revenue, the Company reduced its corporation tax charge. However, an amount equal to 30% of £107,000, i.e. £32,000, has been credited to Capital and charged to Revenue as a notional corporation tax item to prevent the distribution of capital equal to this amount.

At 30 September 2003, the Company had no surplus management expenses (2002 - £Nil) to carry forward. No deferred tax has been recognised in the current or prior periods.

The following table is a reconciliation of the current taxation charge/(credit) to the charges or credits which would arise if all ordinary activities were taxed at the standard UK corporation tax rate of 30% (2002 - 30%):

	2003			2002		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Return on Ordinary Activities before Taxation	**1,987**	**1,992**	**3,979**	1,889	(5,873)	(3,984)
Taxation of Return on Ordinary Activities at the standard rate of corporation tax	**596**	**598**	**1,194**	567	(1,762)	(1,195)
Effects of:						
UK dividend income not liable to further tax	**(400)**	**-**	**(400)**	(360)	-	(360)
Capital (gains)/losses not liable to capital gains tax	**-**	**(630)**	**(630)**	-	1,709	1,709
Adjustment for use of smaller companies tax band	**(5)**	**-**	**(5)**	-	-	-
Utilisation of surplus management expenses brought forward from previous years	**-**	**-**	**-**	-	(51)	(51)
Current taxation charge/(credit) for the year	**191**	**(32)**	**159**	207	(104)	103

8. REVENUE AFTER TAXATION FOR THE FINANCIAL YEAR

The revenue after taxation for the financial year includes £1,756,000 (2002 - £1,702,000) in respect of the Company as a single entity.

Notes to the Financial Statements
(continued)

9. DIVIDENDS ON EQUITY SHARES

	2003	2002	**2003**	2002
	p	p	**£000**	£000
Interims paid	**2.06**	2.06	**762**	712
Interim payable	**1.03**	1.03	**381**	381
Proposed final	**1.76**	1.76	**652**	652
	4.85	4.85	**1,795**	1,745
Final Dividend of 1.70p for the year ended 30 September 2001 payable on 1,900,000 new shares issued during the year ended 30 September 2002			**-**	32
			1,795	1,777

10. RETURN AND NET ASSET VALUE PER SHARE

The returns per share are based on the following figures:

	2003	2002
Revenue return	**£1,796,000**	£1,682,000
Capital return	**£2,024,000**	£(5,769,000)
Weighted average number of shares	**37,015,112**	34,173,605

Net asset value per share is based on net assets attributable to shareholders of £21,162,000 (2002 - £19,137,000) and on the 37,015,112 (2002 - 37,015,112) shares in issue at 30 September 2003.

11. FIXED ASSET INVESTMENTS

	Group and Company	
	2003	2002
	£000	£000
Listed on recognised stock exchanges:		
In the United Kingdom	**33,886**	34,073
Overseas	**896**	720
	34,782	34,793

	Group and Company £000
Cost at 30 September 2002	39,621
Unrealised depreciation at 30 September 2002	(4,828)
Valuation at 30 September 2002	34,793
Purchases	10,178
Sales - proceeds	(12,847)
- net realised losses on sales	(2,445)
Movement in unrealised appreciation during the year	5,103
Valuation at 30 September 2003	34,782
Cost at 30 September 2003	34,507
Unrealised appreciation at 30 September 2003	275
Valuation at 30 September 2003	34,782

For an analysis of investments between equity and fixed interest securities and for detailed interest rates see page 14.

Notes to the Financial Statements
(continued)

Gains/(Losses) on investments

	Group and Company	
	2003	2002
	£000	£000
Net realised (losses) on sales of investments	**(2,445)**	(727)
Movement in unrealised appreciation of investments	**5,103**	(4,021)
Cost of zero coupon finance during the year (note 16)	**(560)**	(946)
	2,098	(5,694)

The above table includes the following effects of traded option activity:

	Company	
	2003	2002
	£000	£000
Call options exercised	-	(2)
Put options assigned	-	(217)
	-	(219)

The cost of exercising call options and assigning put options is the difference between the market price of the underlying shares and the strike price of the options. The premiums earned on options expired, exercised or assigned of £138,000 (2002 - £297,000) have been dealt with in the revenue account.

12. SUBSIDIARY UNDERTAKING

	Company	
	2003	2002
	£000	£000
Shares at cost	**5**	5

The Company owns 100% of the ordinary share capital of its sole subsidiary undertaking, G.I.T. Securities Limited, an investment dealing company registered in Scotland.

13. DEBTORS

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Unpaid share capital (note 17)	-	1,427	-	1,427
Accrued income	**584**	505	**584**	505
Due from subsidiary undertaking	-	-	-	140
Other debtors	**29**	17	**29**	17
	613	1,949	**613**	2,089

14. INVESTMENTS OF DEALING SUBSIDIARY UNDERTAKING

	Group	
	2003	2002
	£000	£000
At lower of cost and market value:		
Listed in the United Kingdom	-	128

No investments were held at the current year end.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Bank loans and overdrafts	**300**	3,923	**300**	3,923
Corporation tax	**61**	103	**52**	103
Dividends payable	**1,033**	1,033	**1,033**	1,033
Due to subsidiary undertaking	-	-	**38**	-
Other creditors	**93**	149	**93**	149
	1,487	5,208	**1,516**	5,208

Interest on short-term bank loans and overdrafts is at floating rates related to LIBOR and UK base rates respectively.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and Company	
	2003	2002
	£000	£000
Zero coupon finance	**13,085**	12,525

The zero coupon finance arrangement comprises a set of financial instruments (FTSE 100 Index options), each with its own market value. Accordingly, the amount disclosed above as zero coupon finance represents the net total amount of the market values as at 30 September 2003 of each of the constituent FTSE 100 Index options. The change in net total market value of the options in each accounting period is, therefore, treated as an unrealised loss on investments and charged to capital. The amount so charged to capital will fluctuate from year to year due to stockmarket volatility but will equate to 7.19% per annum over the life of the options, which expire in May 2005. As a result of market conditions, the charge allocated to the present accounting period was 4.5% (2002: 8.2%). When the options reach their expiry date, the aggregate unrealised depreciation will be transferred to realised capital reserve.

The movements in the book values of this finance consisted of the following:

	At 30 September 2003 £000	At 30 September 2002 £000	Charged to capital (note 20) £000
Written options	**25,391**	26,853	(1,462)
Purchased options	**(12,306)**	(14,328)	2,022
	13,085	12,525	560

17. CALLED UP SHARE CAPITAL

	Ordinary shares of 25 pence each	
	Number	£000
Authorised		
At 30 September 2002 and 30 September 2003	50,000,000	12,500
Allotted, called up and fully paid		
At 30 September 2002 and 30 September 2003	37,015,112	9,254

There were no amounts receivable relating to unpaid share capital as at 30 September 2003 (2002 - £1,427,000).

Notes to the Financial Statements
(continued)

18. SHARE PREMIUM ACCOUNT

	£000
At 30 September 2002 and 30 September 2003	4,837

19. SPECIAL RESERVE

	£000
At 30 September 2002 and 30 September 2003	5,000

The purpose of this reserve is to fund market purchases by the Company of its own ordinary shares.

20. OTHER CAPITAL RESERVES

	Group and Company £000
Realised capital reserve	
At 30 September 2002	6,604
Net losses on sales of investments during the year	(2,445)
Tax credit allocated to capital	32
Finance costs of borrowings (note 6)	(17)
Investment management fee	(89)
At 30 September 2003	4,085
Unrealised capital reserve	
At 30 September 2002	(7,473)
Movements during the year:	
Fixed asset investments	5,103
Zero coupon finance (note 16)	(560)
At 30 September 2003	(2,930)

The capital reserves are not distributable.

21.REVENUE RESERVE

	Group £000	Company £000
At 30 September 2002	915	932
Transfer to revenue account	1	(40)
At 30 September 2003	916	892

22.RECONCILIATION OF NET REVENUE BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £000	2002 £000
Net revenue before finance costs and taxation	**2,004**	1,960
Investment management fee charged to capital	**(89)**	(108)
Increase in accrued income	**(79)**	(29)
Increase in other debtors	**(12)**	(11)
(Decrease) in creditors	**(29)**	(22)
Decrease/(Increase) in dealing investments	**128**	(128)
Decrease in taxation recoverable	**-**	65
Net cash inflow from operating activities	**1,923**	1,727

23.ANALYSIS OF CHANGES IN NET DEBT

	At 30 Sept 2002 £000	Cash flows £000	Other non-cash changes £000	**At 30 Sept 2003 £000**
Cash at bank and in hand	-	339	-	**339**
Bank overdrafts	(923)	923	-	**-**
Short-term borrowings	(3,000)	2,700	-	**(300)**
Zero coupon finance	(12,525)	-	(560)	**(13,085)**
	(16,448)	3,962	(560)	**(13,046)**

Notes to the Financial Statements
(continued)

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003	2002
	£000	£000
Increase in cash at bank and in hand	**339**	-
Decrease in bank overdrafts	**923**	531
	1,262	531
Decrease/(Increase) in short-term borrowings	**2,700**	(2,000)
Change in net debt resulting from cash flows	**3,962**	(1,469)
Cost of zero coupon finance (note 16)	**(560)**	(946)
Change in net debt	**3,402**	(2,415)
Net debt at 30 September 2002	**(16,448)**	(14,033)
Net debt at 30 September 2003	**(13,046)**	(16,448)

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£000	*£000*
Net revenue returns	**1,796**	1,682
Dividends	**(1,795)**	(1,777)
Transfer to/(from) distributable reserves	**1**	(95)
Net capital returns	**2,024**	(5,769)
Issues of ordinary shares	**-**	2,923
Net increase/(reduction) in shareholders' funds	**2,025**	(2,941)
Shareholders' funds at 30 September 2002	**19,137**	22,078
Shareholders' funds at 30 September 2003	**21,162**	19,137

26. RISK MANAGEMENT, FINANCIAL ASSETS AND LIABILITIES

The following information is given in accordance with Financial Reporting Standard 13, "Derivatives and Other Financial Instruments: disclosures" ("FRS 13").

Risk Management

The Company's objective is addressed by investing in UK equities to provide growth in capital and income and in fixed income securities to provide a high level of income. Additional revenue is generated from premiums earned by writing covered out-of-the-money traded options against assets held in the portfolio.

Short-term borrowings are employed to augment the portfolio of investments, so that greater returns to shareholders may be generated from the capital stock thus enlarged. The Company's short-term borrowings and cash resources carry interest at floating rates. The interest rate profile is managed as part of the overall investment strategy of the Company.

Zero coupon finance raised in the derivatives market is invested in corporate fixed interest securities to augment the income available for distribution to shareholders. The costs of these funds are fixed when they are raised.

The impact of security price volatility is reduced by diversification and by hedging instruments and by writing covered traded options. Diversification is by type of security - ordinary shares, preference shares, convertibles, corporate fixed interest and gilt-edged - and by investment in the stocks and shares of companies in a range of industrial, commercial and financial sectors. The management of the *portfolio is conducted according to investment guidelines, established by the Board after discussion* with the Managers, which specify the limits within which the Managers are authorised to act.

The value of the portfolio is exposed to the risk of volatility in the prices of its constituent investments and the risk that a capital profit may be foregone if a traded option position moves "into the money" (i.e. a share price rises above the strike price of a call option or falls below that of a put option).

Notes to the Financial Statements
(continued)

Financial Assets and Liabilities
The Group's financial assets include investments, cash at bank and short-term debtors. Financial liabilities consist of bank loans and overdrafts, creditors arising from option contracts and short-term creditors.

The book value of cash at bank and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at the lower of cost and market value. The carrying value of fixed asset investments and option contracts are stated at their fair values, which have been determined with reference to quoted market prices (see notes 11 and 16). For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

The average number years to redemption of the corporate bond portfolio is 5.6 years (2002: 6.5 years) and the average rate of interest earned from this portfolio is 7.3% (2002: 7.6%).

27. COMMITMENTS AND CONTINGENCIES
At 30 September 2003 there was a capital commitment amounting to £500,000 (2002: £Nil).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifteenth Annual General Meeting of the Members of Glasgow Income Trust plc will be held at Glasgow Investment Managers Limited, Sutherland House, 149 St. Vincent Street, Glasgow G2 5DR on 16 December 2003 at 10 am to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and audited financial statements for the year ended 30 September 2003.

2. To receive and adopt the Directors' Remuneration Report for the year ended 30 September 2003.

3. To declare a final dividend.

4. To re-elect R.G. Hanna as a Director.

5. To elect K. Hart as a Director.

6. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

7. That the company shall continue as an investment trust for the period of five years or more until the Annual General Meeting held five years after the date of this resolution.

8. That with effect from the time of passing of this resolution the Directors be unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 ("the Act"), to exercise all the powers of the Company, to allot relevant securities (as defined in subsection 80(2) of the Act) up to a maximum nominal amount of £3,084,593 to such persons and at such times and on such terms as they think proper during the period of five years from the date of passing this resolution and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority so that all previous authorities of the Directors pursuant to the said Section 80 be and they are hereby revoked.

To consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

9. That the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash as if Subsection 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited

   (i) to the allotment of equity securities in connection with a rights issue where it is, in the opinion of the Directors, necessary or expedient to deal with problems under the laws of any overseas territory or the requirements of any regulatory body or any Stock Exchange in any overseas territory or in connection with fractional entitlements; and

   (ii) to the allotment (otherwise than pursuant to (i) above) of ordinary shares up to an aggregate nominal amount of £1,850,755 at a price per share not less than the fully diluted net asset value of an ordinary share in the Company calculated as at the close of business on the immediately preceding business day, and shall expire at the conclusion of the Annual General Meeting of the Company in 2004 except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired and for this purpose words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meanings in this resolution.

10. That the Company be and it is hereby generally and unconditionally authorised to make market purchases of any of its own ordinary shares in such manner and upon such terms as the Directors of the Company may from time to time determine, provided that:

(i) the maximum aggregate nominal value of the ordinary shares hereby authorised to be acquired shall be limited to £1,387,141, being equal to approximately 14.99% of the ordinary shares in issue;

(ii) the maximum price which may be paid for any ordinary shares shall not exceed an amount equal to 105% of the average of the market values of such ordinary shares, as defined in the Listing Rules of the Stock Exchange, for the five business days before the purchase is made and the minimum price shall be 25p per ordinary share (in each case exclusive of expenses); and

(iii) the authority hereby conferred shall expire (unless previously revoked or renewed) at the close of business on 16 December 2004 or at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution, whichever is the later, provided that the Company may before such expiry make any contract of purchase of ordinary shares which would or might be executed wholly or partly after the expiry of such authority and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

By Order of the Board
Glasgow Investment Managers Limited
Secretaries
17 November 2003

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