GLASGOW INCOME TRUST PLC

Company Number SC111955

Unaudited Interim Accounts for the period 1 October 2005 to 30 June 2006

Prepared under Section 272 Companies Act 1985

GLASGOW INCOME TRUST PLC

Income Statement
for the period 1 October 2005 to 30 June 2006

	Notes	Revenue £	Capital £	Total £
GAINS				
Gains on investments	6	-	7,553,736	7,553,736
REVENUE				
Dividend income	2	2,191,836	-	2,191,836
Fixed interest income	2	1,179,434	-	1,179,434
Deposit interest	2	82,069	-	82,069
Traded Option premiums	2	405,079	-	405,079
Other Income	2	255	-	255
		3,858,673	7,553,736	11,412,409
EXPENSES				
Investment management fee	3	(243,597)	(243,597)	(487,194)
Other administrative expenses	4	(177,398)	-	(177,398)
Finance cost of borrowings	5	(34,878)	(34,878)	(69,756)
Zero coupon finance costs	7	-	(273,600)	(273,600)
		(455,873)	(552,075)	(1,007,948)
PROFIT BEFORE TAX		3,402,800	7,001,661	10,404,461
Taxation		(382,275)	83,250	(299,025)
PROFIT FOR THE PERIOD		3,020,525	7,084,911	10,105,436

The total column of this statement represents the Company's Income Statement, prepared in accordance with International Financial Reporting Standards. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Trust Companies.

The accompanying notes are an integral part of this statement.
All items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the period.

GLASGOW INCOME TRUST PLC

Balance Sheet
as at 30 June 2006

	Notes	£	£
NON-CURRENT ASSETS			
Listed investments	6		118,247,325
Zero coupon finance call options	7		10,039,213
Zero coupon finance put options	7		5,679,663
Investment in subsidiary undertaking	8		5,000
			133,971,201
CURRENT ASSETS			
Trade and other receivables	9	1,647,120	
Cash and cash equivalents		4,262,195	
			5,909,315
TOTAL ASSETS			139,880,516
CURRENT LIABILITIES			
Trade and other payables	10	(930,873)	
Short term borrowings	11	-	
			(930,873)
NON-CURRENT LIABILITIES			
Zero coupon finance call options	7	(30,576,013)	
Zero coupon finance put options	7	(24,685,113)	
			(55,261,126)
TOTAL LIABILITIES			(56,191,999)
NET ASSETS			£83,688,517
ISSUED CAPITAL AND RESERVES			
Called up share capital	12		23,436,720
Share premium account	13		32,551,897
Special reserve	14		5,000,000
Realised capital reserve	15		5,551,267
Unrealised capital reserve	15		15,043,173
Revenue reserve	16		2,105,460
EQUITY SHAREHOLDERS' FUNDS			£83,688,517

Approved by the Board of Directors on 24 July 2006 and signed on its behalf.

Director

The accompanying notes are an integral part of this balance sheet.

GLASGOW INCOME TRUST PLC

Statement of Changes in Equity
for the period 1 October 2005 to 30 June 2006

	Notes	Share Capital	Share Premium	Capital Redemption Reserve	Realised Capital Reserve	Unrealised Capital Reserve	Retained Revenue Reserve	Total
		£	£	£	£	£	£	£
As at 30 September 2005		19,725,638	22,885,524	5,000,000	3,984,075	9,523,028	883,318	62,001,583
Effect of changes in accounting policy arising from the introduction of International Financial Reporting Standards	18	-	-	-	(2,880)	5,306	1,316,992	1,319,418
As at 30 September 2005 (restated)	18	19,725,638	22,885,524	5,000,000	3,981,195	9,528,334	2,200,310	63,321,001
Revenue for the period	16	-	-	-	-	-	3,020,525	3,020,525
Capital Profits	15	-	-	-	1,570,072	5,514,839	-	7,084,911
Equity dividends paid	17	-	-	-	-	-	(3,115,375)	(3,115,375)
Issues of share capital	12,13	3,711,082	9,666,373	-	-	-	-	13,377,455
As at 30 June 2006		23,436,720	32,551,897	5,000,000	5,551,267	15,043,173	2,105,460	83,688,517

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies are as follows:

(a) Basis of preparation
The financial statements are prepared on the historical cost basis except that investments and derivative financial instruments are stated at their fair value.

(b) Investments
At 1 October 2005, the Company designated all its investments into the financial assets at fair value through profit and loss category. The fair value of investments is based upon their quoted market bid price at close of business on the balance sheet date.

(c) Gains and losses on investment transactions
Gains and losses arising on sales of investments are taken to realised capital reserve. Changes in the fair value of investments are recognised in the income statement through the unrealised capital reserve.

(d) Income and expenditure
Dividends on equity investments are credited to revenue on the date when the investment is first quoted ex-dividend at the amount receivable without any attributable tax credit.

Interest income from certain fixed interest securities is recognised in the income statement as it accrues, using the effective interest rate of the instrument calculated at the acquisition date. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of the interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest from deposits, interest payable and expenses of management are dealt with on an accruals basis.

The finance costs of borrowings and the fee payable to the Company's managers are charged partly to capital and partly to revenue in proportion to the expected long-term split of returns in the form of capital gains and income from the Company's entire investment portfolio. All other expenses of management are charged to revenue.

The Company has in place medium-term funding in the form of zero coupon finance through a series of option transactions on the FTSE 100 Index. These options are classed as derivative financial instruments and are shown separately at their fair values on the face of the balance sheet. Movements in the fair value of these instruments are recognised in the income statement through the realised capital reserve.

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.

GLASGOW INCOME TRUST PLC

Notes to the Financial Statements

2. REVENUE

	£
Income from investments	
Dividend income	2,191,836
Fixed interest income	1,179,434
	3,371,270
Other revenue	
Interest receivable from deposits	82,069
Traded Option Premiums	405,079
Other Income	255
Total income	£3,858,673

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 0.75% of the amount of net assets calculated monthly and paid quarterly. The fee has been allocated 50% to capital and 50% to revenue. Of the annual total fee £12,500 (plus VAT) is in respect of secretarial services and is allocated 100% 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

		£
Directors' remuneration - fees as directors		30,750
Fees payable to auditors and associates	- as auditors	20,404
	- for other services	1,990
Other management expenses		124,254
		£177,398

5. FINANCE COSTS OF BORROWINGS

	Revenue £	Capital £	Total £
Bank loans and overdrafts	34,878	34,878	69,756

6. LISTED INVESTMENTS

	£
Value at 30 September 2005 under IFRS	93,292,424
Purchases	37,185,402
Amortised cost adjustments to fixed interest securities	(95,845)
Sales - proceeds	(19,709,044)
- net profits on sales	1,762,235
Movement in unrealised appreciation	5,812,153
Value at 30 June 2006	£118,247,325
Cost at 30 June 2006	100,973,524
Unrealised appreciation at 30 June 2006	17,273,801
Value at 30 June 2006	£118,247,325

GAINS ON INVESTMENTS

	£
Net gains on sales of investments	1,762,235
Movement in unrealised appreciation of investments	5,812,153
Other profits on Investments	3,062
Movement in fair value of traded options	(21,085)
Amortisation of expenses	(2,629)
	£7,553,736

7. ZERO COUPON FINANCE

The zero coupon finance arrangement comprises a set of separately traded financial instruments (FTSE 100 Index options). As stated in note 1(d), these options are classed as derivative financial instruments and are shown separately at their fair values on the face of the balance sheet.

On 21 December 2005 new zero coupon finance arrangements were taken out which expire in January 2010. The net proceeds raised from this new arrangement were £1,604,000. A further tranche of zero coupon finance was taken out on 19 April 2006 which expires in April 2011. The net proceeds raised from this new arrangement were £8,503,250.

	£
Value at 30 September 2005 under IFRS	29,161,400
Net proceeds of new zero coupon finance	10,107,250
Movements in fair value	273,600
At 30 June 2006	£39,542,250

Notes to the Financial Statements

7. ZERO COUPON FINANCE (continued)

The amounts outstanding in respect of zero coupon finance comprise:

	£
Non-Current Assets:	
Call Options:	
Expiring on December 2008	1,011,600
Expiring on January 2010	1,439,375
Expiring on January 2010	293,750
Expiring on January 2010	2,232,500
Expiring on January 2010	763,750
Expiring on April 2011	4,298,238
	10,039,213
Put options:	
Expiring on December 2008	22,500
Expiring on January 2010	703,950
Expiring on January 2010	2,057,700
Expiring on January 2010	1,326,675
Expiring on January 2010	270,750
Expiring on April 2011	1,298,088
	5,679,663
Non-Current Liabilities:	
Call options:	
Expiring on December 2008	(4,833,000)
Expiring on January 2010	(3,097,250)
Expiring on January 2010	(9,053,500)
Expiring on January 2010	(5,837,125)
Expiring on January 2010	(1,191,250)
Expiring on April 2011	(6,563,888)
	(30,576,013)
Put options:	
Expiring on December 2008	(964,800)
Expiring on January 2010	(2,656,550)
Expiring on January 2010	(7,765,300)
Expiring on January 2010	(5,006,575)
Expiring on January 2010	(1,021,750)
Expiring on April 2011	(7,270,138)
	(24,685,113)
Net Zero Coupon Finance Liability	£(39,542,250)

8. SUBSIDIARY UNDERTAKING

Shares at cost	£5,000

The Company owns the whole of the ordinary share capital of GIT Securities Limited, an investment dealing company registered in Scotland.

In the opinion of the Directors, the value of this investment is not less than cost.

GLASGOW INCOME TRUST PLC

Notes to the Financial Statements

9. TRADE & OTHER RECEIVABLES

	£
Investment sales	-
Accrued income	1,193,316
Due from subsidiary undertaking	443,190
Prepayments & other debtors	10,614
	£1,647,120

10. TRADE & OTHER PAYABLES

	£
Investment purchases	286,273
Accrued charges	444,754
Corporation Tax due	199,846
	£930,873

11. SHORT-TERM BORROWINGS

	£
Short-term bank loans	-
	-

12. CALLED UP SHARE CAPITAL

Authorised		
200,000,000 ordinary shares of 25 pence each		£50,000,000
Allotted, called up and fully paid	Number	£
Ordinary shares of 25 pence each		
At 30 September 2005	78,902,554	19,725,638
Issued in period	14,844,327	3,711,082
At 30 June 2006	93,746,881	£23,436,720

13. SHARE PREMIUM ACCOUNT

	£
At 30 September 2005	22,885,524
On issue of new ordinary shares	9,982,201
Expenses of issue	(315,828)
At 30 June 2006	£32,551,897

Notes to the Financial Statements

14. SPECIAL RESERVE

At 30 September 2005 and 30 June 2006	£5,000,000

15. OTHER CAPITAL RESERVES

	£
Realised capital reserve	
30 September 2005	3,984,075
Effect of transition to IFRS (see note 18)	(2,880)
At 30 September 2005 under IFRS	3,981,195
Net profits on sales of investments during the period (note 6)	1,762,235
Management fee	(243,597)
Finance cost of borrowings	(34,878)
Tax credit from revenue	83,250
Other Profits on Investment	3,062
At 30 June 2006	5,551,267
Unrealised capital reserve	
At 30 September 2005	9,523,028
Effect of transition to IFRS (see note 18)	5,306
At 30 September 2005 under IFRS	9,528,334
Movement during the period:	
Listed investments (note 6)	5,812,153
Movement in fair value of zero coupon finance (note 7)	(273,600)
Amortisation of expenses	(2,629)
Movement in fair value of traded options	(21,085)
At 30 June 2006	£15,043,173

The capital reserves are not distributable.

16. REVENUE RESERVE

	£
At 30 September 2005	883,318
Effect of transition to IFRS (see note 18)	1,316,992
At 30 September 2005 under IFRS	2,200,310
Profit for the period	3,020,525
Dividends paid (note 17)	(3,115,375)
At 30 June 2006	£2,105,460

17. DIVIDENDS ON EQUITY SHARES

	£
Fourth interim dividend of 2004/05 of 1.76p per share paid on 31 October 2005	1,388,685
First interim of 2005/06 of 1.03p per share paid on 31 January 2006	812,696
Second interim of 2005/06 of 1.105p per share paid on 28 April 2006	913,994
	£3,115,375

The Company has declared a third interim dividend in respect of the year to 30 September 2006 of 1.105p per share which is payable on 31 July 2006. The total amount payable in respect of this dividend is £1,035,903

18. EXPLANATION OF TRANSITION TO IFRS

The table on the following page reconciles the Company's equity from the figures previously reported under UK Generally Accepted Accounting Practice ("GAAP") and the Investment Trust Statement of Recommended Practice ("SORP") to those reported under IFRS as at 30 September 2005, the Company's comparative year end.

18. EXPLANATION OF TRANSITION TO IFRS (continued)

	Note	UK GAAP	Effect of transition to IFRS	IFRS
		£	£	£
NON-CURRENT ASSETS				
Listed investments	18(a,c)	93,361,691	(69,267)	93,292,424
Zero coupon finance call option	18(b)	-	3,556,150	3,556,150
Zero coupon finance put option	18(b)	-	5,463,400	5,463,400
Investment in subsidiary		5,000	-	5,000
		93,366,691	8,950,283	102,316,974
CURRENT ASSETS				
Trade & other receivables		1,243,762	-	1,243,762
		1,243,762	-	1,243,762
CURRENT LIABILITIES				
Trade & other payables		(447,963)	-	(447,963)
Short-term borrowings		(1,610,822)	-	(1,610,822)
Dividends payable	18(d)	(1,388,685)	1,388,685	-
		(3,447,470)	1,388,685	(2,058,785)
NON- CURRENT LIABILITIES				
Zero coupon finance	18(b)	(29,161,400)	29,161,400	-
Zero coupon finance call option	18(b)	-	(19,879,600)	(19,879,600)
Zero coupon finance put option	18(b)	-	(18,301,350)	(18,301,350)
		(29,161,400)	(9,019,550)	(38,180,950)
NET ASSETS		62,001,583	1,319,418	63,321,001
ISSUED CAPITAL & RESERVES				
Called up share capital		19,725,638	-	19,725,638
Share premium account		22,885,524	-	22,885,524
Special reserve		5,000,000	-	5,000,000
Realised capital reserve	18(a,c)	3,984,075	(2,880)	3,981,195
Unrealised capital reserve	18(a,c)	9,523,028	5,306	9,528,334
Retained Revenue Reserve	18(c,d)	883,318	1,316,992	2,200,310
		62,001,583	1,319,418	63,321,001

18. EXPLANATION OF TRANSITION TO IFRS (continued)

(a) Investments
Under previous GAAP the Company's investments were valued at middle market prices at close of business on the balance sheet date. Under IFRS investments are valued at bid prices as at close of business on the balance sheet date.

(b) Zero coupon finance
Under IFRS the option contracts are accounted for as separate derivative contracts under IAS 39 and therefore are individually shown on the balance sheet at their fair, i.e. market value as assets or liabilities.

(c) Accrued income
Income from debt securities was previously accounted for on an accruals basis. Under IFRS, income from these investments is now accounted for using an effective interest rate method. This method exactly discounts the expected stream of future cash receipts through to maturity of each fixed interest investment. The write off of the premium/discount on debt securities is offset against the cost of the debt security.

(d) Dividends payable
Under previous GAAP, dividends proposed after the period ends were recognised in that accounting period as an adjusting post balance sheet. However, under IFRS, dividends payable are only recorded when paid. Furthermore, dividends are no longer shown on the face of the Income Statement (previously called the Statement of Total Return). They are now shown in the Statement of Changes in Equity.