

GLASGOW INCOME TRUST PLC

Company Number SC111955

**Unaudited Interim Accounts for the period
1 October 2006 to 31 December 2006**

**Prepared under Section 272
Companies Act 1985**

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GLASGOW INCOME TRUST PLC

**Income Statement
for the period 1 October 2006 to 31 December 2006**

	Notes	Revenue £	Capital £	Total £
GAINS				
Gains on investments	6		11,590,467	11,590,467
REVENUE				
Dividend income	2	709,843		709,843
Fixed interest income	2	443,522		443,522
Deposit interest	2	62,174		62,174
Traded Option premiums	2	43,392		43,392
Other Income	2			
		<u>1,258,931</u>	<u>11,590,467</u>	<u>12,849,398</u>
EXPENSES				
Investment management fee	3	(116,998)	(116,998)	(233,996)
Other administrative expenses	4	(38,624)		(38,624)
Finance cost of borrowings	5	(3,712)	(3,712)	(7,424)
Zero coupon finance costs	7		(332,526)	(332,526)
		<u>(159,334)</u>	<u>(453,236)</u>	<u>(612,570)</u>
PROFIT BEFORE TAX		1,099,597	11,137,231	12,236,828
Taxation		(153,825)	40,125	(113,700)
PROFIT FOR THE PERIOD		<u><u>945,772</u></u>	<u><u>11,177,356</u></u>	<u><u>12,123,128</u></u>

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 Companies.

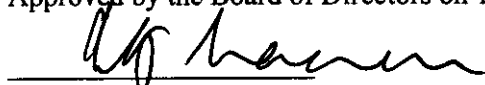
The accompanying notes are an integral part of this statement.
All items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the period.

GLASGOW INCOME TRUST PLC

**Balance Sheet
as at 31 December 2006**

	Notes	£	£
NON-CURRENT ASSETS			
Listed investments	6		166,652,370
Zero coupon finance call options	7		14,658,824
Zero coupon finance put options	7		6,706,150
Investment in subsidiary undertaking	8		5,000
			<u>188,022,344</u>
CURRENT ASSETS			
Trade and other receivables	9	2,145,655	
Cash and cash equivalents		7,272,352	
		<u>9,418,007</u>	
TOTAL ASSETS			<u>197,440,351</u>
CURRENT LIABILITIES			
Trade and other payables	10	(895,556)	
Short term borrowings	11		
			<u>(895,556)</u>
NON CURRENT LIABILITIES			
Zero coupon finance call options	7	(50,602,700)	
Zero coupon finance put options	7	(24,878,650)	
			<u>(75,481,350)</u>
TOTAL LIABILITIES			<u>(76,376,906)</u>
NET ASSETS			<u>121,063,445</u>
ISSUED CAPITAL AND RESERVES			
Called up share capital	12		29,608,277
Share premium account	13		50,489,802
Special reserve	14		5,000,000
Realised capital reserve	15		15,464,072
Unrealised capital reserve	15		18,709,585
Revenue reserve	16		1,791,709
EQUITY SHAREHOLDERS' FUNDS			<u>121,063,445</u>

Approved by the Board of Directors on 16 January 2007 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 2006 to 31 December 2006**

	Notes	Share Capital £	Share Premium £	Capital Redemption Reserve £	Realised Capital Reserve £	Unrealised Capital Reserve £	Retained Revenue Reserve £	Total £
As at 1 October 2006		23,496,260	32,714,425	5,000,000	9,079,443	13,916,858	2,547,066	86,754,052
Revenue for the period	16						945,772	945,772
Capital Profits for the period	15				6,384,629	4,792,727		11,177,356
Equity dividends paid	17						(1,701,129)	(1,701,129)
Issues of share capital	12,13	6,112,017	17,775,377					23,887,394
As at 31 December 2006		<u>29,608,277</u>	<u>50,489,802</u>	<u>5,000,000</u>	<u>15,464,072</u>	<u>18,709,585</u>	<u>1,791,709</u>	<u>121,063,445</u>

GLASGOW INCOME TRUST PLC

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 and charged against the unrealised 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

	£
<i>Income from investments</i>	
Dividend income	709,843
Fixed interest income	443,522
	1,153,365
<i>Other revenue</i>	
Interest receivable from deposits	62,174
Traded Option Premiums	43,392
Other Income	
Total income	1,258,931

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.

4 OTHER ADMINISTRATIVE EXPENSES

	£
Directors' remuneration fees as directors	10,250
Fees payable to auditors and associates as auditors	4,000
for other services	2,000
Other management expenses	22,374
	38,624

5 FINANCE COSTS OF BORROWINGS

	Revenue £	Capital £	Total £
Bank loans and overdrafts	3,712	3,712	7,424
	3,712	3,712	7,424

GLASGOW INCOME TRUST PLC

Notes to the Financial Statements

6	LISTED INVESTMENTS	£	
	Value at 1 October 2006 under IFRS		125,902,402
	Purchases		52,453,785
	Amortised cost adjustments to fixed interest securities		(47,105)
	Sales proceeds		(22,816,131)
	net profits on sales		6,059,713
	Movement in unrealised appreciation		5,099,706
	Value at 31 December 2006		<u>166,652,370</u>
	Cost at 31 December 2006		144,298,366
	Unrealised appreciation at 31 December 2006		22,354,004
	Value at 31 December 2006		<u>166,652,370</u>
	GAINS ON INVESTMENTS		
		£	
	Net gains on sales of investments		6,059,713
	Movement in unrealised appreciation of investments		5,099,706
	Other profits on Investments		405,501
	Movement in fair value of traded options		25,547
	Amortisation of zero coupon finance expenses		
			<u>11,590,467</u>

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 4 December 2006 new zero coupon finance arrangements were taken out which expire in April 2011 The net proceeds raised from this new arrangement were £10,065,250 A further tranche of zero coupon finance was taken out on 21 December 2006 which expires in April 2011 The net proceeds raised from this new arrangement were £3,073,000

	£	
Value at 1 October 2006 under IFRS		40,645,600
Net proceeds of new zero coupon finance		13,138,250
Movements in fair value		332,526
At 31 December 2006		<u>54,116,376</u>

GLASGOW INCOME TRUST PLC

Notes to the Financial Statements

7 ZERO COUPON FINANCE (continued)

The amounts outstanding in respect of zero coupon finance comprise

	£
Non Current Assets	
<u>Call Options</u>	
Expiring in December 2008	1,327,500
Expiring in January 2010	6,150,200
Expiring in April 2011	7,181,124
	<hr/> 14,658,824
<u>Put options</u>	
Expiring in December 2008	7,200
Expiring in January 2010	3,203,900
Expiring in April 2011	3,495,050
	<hr/> 6,706,150
Non Current Liabilities	
<u>Call options</u>	
Expiring in December 2008	(5,554,800)
Expiring in January 2010	(23,610,650)
Expiring in April 2011	(21,437,250)
	<hr/> (50,602,700)
<u>Put options</u>	
Expiring on December 2008	(631,800)
Expiring on January 2010	(12,799,500)
Expiring on April 2011	(11,447,350)
	<hr/> (24,878,650)
Net Zero Coupon Finance Liability	<hr/> <hr/> <hr/> (54,116,376)

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

	£
Accrued income	1,706,016
Due from subsidiary undertaking	423,705
Prepayments & other debtors	15,934
	<u>2,145,655</u>

10 TRADE & OTHER PAYABLES

	£
Accrued charges	690,385
Corporation Tax due	205,171
	<u>895,556</u>

11 SHORT TERM BORROWINGS

	£
Short term bank loans	<u> </u>

12 CALLED UP SHARE CAPITAL

<i>Authorised</i>		
200,000,000 ordinary shares of 25 pence each		£50,000,000
		<u> </u>
<i>Allotted, called up and fully paid</i>	Number	£
Ordinary shares of 25 pence each		
At 1 October 2006	93,985,042	23,496,260
Issued in period	24,448,066	6,112,017
		<u> </u>
At 31 December 2006	<u>118,433,108</u>	<u>£29,608,277</u>

13 SHARE PREMIUM ACCOUNT

	£
At 1 October 2006	32,714,425
On issue of new ordinary shares	18,203,198
Expenses of issue	(427,821)
	<u>50,489,802</u>

GLASGOW INCOME TRUST PLC

Notes to the Financial Statements

14	SPECIAL RESERVE	
	At 1 October 2006 and 31 December 2006	£5,000,000 <u><u> </u></u>
15	OTHER CAPITAL RESERVES	£
	<i>Realised capital reserve</i>	
	At 1 October 2006	9,079,443
	Net gains on sales of investments during the period (note 6)	6,059,713
	Management fee	(116,998)
	Finance cost of borrowings	(3,712)
	Tax credit from revenue	40,125
	Other Profits on Investment	405,501
	At 31 December 2006	<u>15,464,072</u> <u> </u>
	<i>Unrealised capital reserve</i>	
	At 1 October 2006	13,916,858
	Movement during the period	
	Listed investments (note 6)	5,099,706
	Movement in fair value of zero coupon finance (note 7)	(332,526)
	Amortisation of expenses	
	Movement in fair value of traded options	25,547
	At 31 December 2006	<u>18,709,585</u> <u> </u>
	The capital reserves are not distributable	
16	REVENUE RESERVE	£
	At 1 October 2006	2,547,066
	Profit for the period	945,772
	Dividends paid (note 17)	(1,701,129)
	At 31 December 2006	<u>1,791,709</u> <u> </u>

GLASGOW INCOME TRUST PLC

Notes to the Financial Statements

17 DIVIDENDS ON EQUITY SHARES £

Fourth interim dividend of 2005/06 of 1 81p per share paid on 31 October 2006 1,701,129

The Company has declared a first interim dividend in respect of the year to 30 September 2007 of 0 6846p per share which is payable on 31 January 2007. The total amount payable in respect of this dividend is £643,422. The Company has also declared a second interim dividend in respect of the year to 30 September 2007 of 0 4204p per share which is payable on 31 January 2007. The total amount payable in respect of this dividend is £472,038.