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Glasgow Income Trust plc

Annual Report and Accounts

30 September 2009



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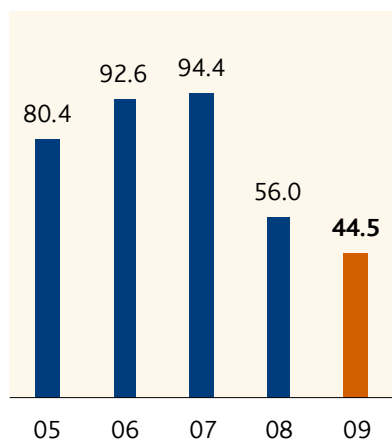
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Financial Highlights

	2009	2008
Net asset value total return	– 12.2%	– 36.6%
Share price total return	– 11.6%	– 37.8%
Benchmark total return	+ 10.8%	– 22.3%
Dividend per share	3.00p	5.3005p
Dividend yield	7.1%	10.0%

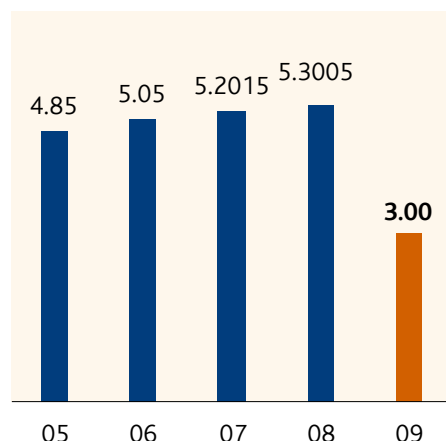
Net asset value per share

At 30 September – pence



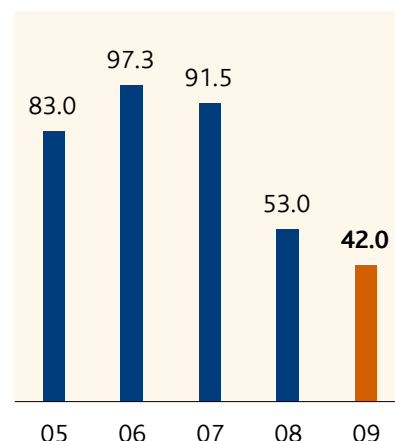
Dividends per share

pence



Mid-market price per share

At 30 September – pence



Financial Calendar

14 January 2010	Annual General Meeting
29 January 2010	First interim dividend 2009/2010 payable
30 April 2010	Second interim dividend 2009/2010 payable
May 2010	Interim results announced
May 2010	Interim Report published
30 July 2010	Third interim dividend 2009/2010 payable
29 October 2010	Fourth interim dividend 2009/2010 payable

Corporate Summary

Capital Structure

The Company's issued share capital as at 30 September 2009 consisted of 121,413,532 Ordinary shares of 25p and 528,985 Ordinary shares held in treasury. As at 4 December 2009 these figures are unchanged.

Dividends

Dividends on the Ordinary shares are payable quarterly at the end of January, April, July and October. As commented upon in the Chairman's statement, the Board and Troy expect that the investment policy of the Company can generate an income yield that is higher than the dividend yield on the FTSE All-Share Index and also be able to grow the dividend over time.

Continuation Vote

As noted in the Chairman's Statement, a further continuation vote will be put to shareholders at this year's AGM by way of an ordinary resolution.

In the event that the further continuation vote is passed at this year's AGM, the Company's next continuation vote would be held at the Company's first AGM following the financial year ending 30 September 2013 and at each fifth AGM thereafter.

Management Company and Fee

With effect from 1 August 2009, Troy Asset Management Limited ("Troy" or the "Manager") replaced Aberdeen Asset Managers Limited ("Aberdeen" or the "former manager") as Manager to the Company under a management contract which is terminable by either party on six months' notice, such notice to expire no earlier than the date which falls 12 months immediately following the date of approval of the continuation vote referred to above (if that resolution is passed). If the continuation resolution is not passed and the Company is either wound up or is the subject of a reconstruction or amalgamation then the contract is terminable without notice or compensation. The fee is at an annual rate of 0.75% of the Company's net assets.

SIPPs and ISAs

The Company's Ordinary shares are available for investment in SIPPs and ISAs.

AIC

The Company is a member of the Association of Investment Companies (AIC).

Price and Net Asset Value Information

The price of the Ordinary shares, which are listed on the main market of the London Stock Exchange, is quoted in the Financial Times, The Daily Telegraph and The Herald. The Company's Net Asset Value is calculated daily and announced to the London Stock Exchange.

Share Register Enquiries

The Company's Registrars, Equiniti Limited, maintain the share register. In the event of queries regarding your shares, please contact the Registrars on 0871 384 2441. Changes of name or address must be notified in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR.

Shareview Website

The Registrars provide an on-line service that enables shareholders to access details of their shareholdings. A shareholder wishing to view the information, together with additional information such as indicative share prices and details of recent dividends, should visit www.shareview.co.uk.

Shares Held in Nominee Names

Where notification has been received in advance, the Company will provide nominee companies with copies of shareholder communications for distribution to their customers. Shareholders who hold their shares in nominee names may, if appointed as a proxy by the nominee company, attend and speak at general meetings.

Company Secretary

Aberdeen Asset Management PLC, 40 Princes Street, Edinburgh, EH2 2BY

Website

www.glasgowincometrust.co.uk

Investment policy

The Company's investment objective is to provide shareholders with an attractive income yield and the prospect of income and capital growth through investing in a portfolio of predominantly UK equities.

Equities are selected for their inclusion within the portfolio solely on the basis of the strength of the investment case with the focus being on long term income growth along with capital preservation.

Asset classes other than equities will be purchased from time to time and will vary as opportunities are identified and will include convertibles, preference shares, fixed income securities and corporate bonds. Investments will be made when prospective returns appear to be superior to those from equity markets or are considered likely to exceed the Company's borrowing costs. However, non-equity securities will not constitute the majority of the portfolio. The Company may also use derivatives for the purpose of efficient portfolio management (including reducing, transferring or eliminating investment risk in its investments and protection against currency risk), to exploit an investment opportunity and to achieve capital growth.

There are no pre-defined maximum or minimum exposure levels for asset classes but these exposures are reported to, and monitored by, the Board in order to ensure that adequate diversification is achieved. The Company is permitted to hold up to 15 per cent of gross assets in non-UK investments.

The Company does from time to time invest in other UK listed investment companies but the Company will not invest more than 15 per cent of gross assets in other listed investment companies.

The portfolio will be relatively concentrated and the number of individual holdings in equities and funds will vary over time but, in order to diversify risk, will typically be between 30 and 50. The Board monitors the aggregate exposure to any one equity across the whole investment portfolio.

While there is a comparative index for the purpose of measuring performance over material periods, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index.

Gearing

The Company may utilise gearing in a tactical and flexible manner to enhance returns to shareholders. As an investment trust, the Company is able to borrow money and does so when the Board and the Manager have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. Such gearing may be in the form of bank borrowings or through derivative instruments which provide a geared exposure to equity markets. Gearing levels are discussed by the Board and the Manager at every Board meeting and monitored between meetings and adjusted accordingly with regard to the outlook. The Board currently intends that the aggregate borrowings of the Company will be up to 15 per cent of net assets immediately following drawdown, with a maximum level of aggregate borrowings of 25 per cent of net assets immediately following drawdown. The Board will, however, retain flexibility to increase or decrease the level of the Company's gearing to take account of changing market circumstances and in pursuit of the Company's investment policy.

The following does not form part of the Company's investment policy:

- It is intended that the Company will generally remain fully invested but from time to time the Company will retain the ability to hold cash or cash equivalents. Troy's commitment to capital preservation means that the level of cash held in portfolios which it manages has always been an active investment decision.
- In addition, various guidelines have been set by the Board in discussion with the Manager which are detailed on page 17 of the Directors' Report.

Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities and include market price risk (comprising interest rate risk, foreign currency risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in the Directors Report and in the notes to the financial statements.

Chairman's Statement



R G Hanna
Chairman

In the year to 30 September 2009 there has been significant change in the Trust and in the economic environment in which we operate – both of which the Board believes are positive for the future.

The last few years have been difficult for the Trust. We have moved from our shares trading consistently at a premium to net asset value, to a large discount. This reflected the wider recessionary background but specifically the underperformance of our portfolios. At the same time our geared structure, through the use of Zero Coupon Finance, became inflexible in difficult times. It had served us well and was sensibly offset by investment mainly in corporate bonds but the dislocation of credit markets caused changes in collateral requirements and uncertainty in the availability of ZCF credit. In addition the economic difficulties forced many companies to cut dividends and our portfolio did not escape the pressure on our dividend paying capacity.

As has been reported separately, the Board decided that a fundamental review of the strategy of the Trust was necessary. This should not only ensure that we identify a sustainable model, but also any new approach and changed mandate had to be acceptable to shareholders.

After extensive discussion with advisers, the Board concluded that the previous paradigm, including the use of structural gearing, was no longer relevant to the investment outlook nor to investors' attitude to geared risk. In essence the Board decided that it should recommend a change from a high income model to an income and growth one. This would entail a reduction in dividend, but with less stress on capital and would involve a change of manager. The recommended proposals for the future of the Company were approved by shareholders on 17 September 2009.

Troy Asset Management was appointed with an initial objective of restructuring the portfolio which I am pleased to report was achieved at no net cost to NAV.

Economic Background

As is well known, most advanced economies were still in the grip of recession during the year. Governments' efforts to stabilise the bank sector have achieved some success although in the UK there has been a shortage of reasonably priced banking lending to finance recovery. The situation appears to be improving with many companies successfully raising money in the stock market.

There is now more optimism around, although it is fragile, and with it a recovery in the market with the FTSE 100 Index currently trading consistently in excess of 5000. There are worries about inflation and speculation on the shape of the upturn. Undoubtedly there are significant difficulties ahead including the implication of high Government debt and the certainty of tax increases.

Against this background the Board believes the new shape of the Trust offers a better investment vehicle for shareholders.

That sentiment seems to be shared, as evidenced by the reduction in discount from 25.4% at the end of March to 3.2% at 30 November 2009.

Performance

The NAV total return for the year was -12.2% compared to the benchmark return of +10.8%. The underperformance all occurred in the first six months and a full explanation of the reasons for this was covered in my interim statement. Since the end of March performance has improved. In addition the ZCF gearing was completely repaid in two tranches in late July and early August.

Troy was appointed to manage the Trust with effect from 1 August and it is pleasing to report that in the short period until the end of November the performance has exceeded the benchmark in share price and NAV total return terms.

Future

As previously reported the Board intends to increase the size of the Trust when market conditions are conducive and subject to the successful passing of the continuation vote, mentioned below. The expansion will bring benefits of broadening the shareholder base, improving the liquidity of the shares and lowering the Trust's total expense ratio.

We have also considered the introduction of a tighter discount control mechanism. The Company's policy will be to ensure that the shares always trade at close to net asset value through a combination of share-buybacks coupled with the issue of new shares at a premium to net asset value where demand exceeds supply. This will be implemented following the AGM.

Continuation Vote

In last years' report and accounts, the Directors committed to proposing a further continuation vote at or prior to the next AGM. We subsequently issued a circular with recommended proposals for the future of the Company, including a fundraising which, as noted above, were approved by shareholders in September.

However the proposed fundraising has not been undertaken to date and, accordingly, a continuation vote will be put to shareholders at this year's AGM.

The Directors unanimously recommend that shareholders vote in favour of the continuation vote.

Change of Name

The Board intends to change the name of the Company to "Troy Income & Growth Trust plc" immediately following the AGM by exercising the powers conferred in the Articles which were adopted at the EGM on 17 September 2009.

Dividend

Dividends totalling 3p per share have been paid for the year ended 30 September 2009. Following the implementation of the new strategy it is the Board's intention, in the absence of unforeseen circumstances, to pay four equal quarterly dividends of 0.45p per share for the year ending 30 September 2010.

Conclusion

There has been a lot of change in the last year. The Trust is now settled into delivering on the new "Income and Growth" model which includes a substantially more conservative attitude to gearing and consequently a lower risk profile. The Board believes that, with some caution on economic factors, the changes introduced provide a strong base for future profitable growth.

R G Hanna

Chairman

8 December 2009

Manager's Review

Background

The Company's financial year to 30 September 2009 spanned one of the most volatile periods in stock market history. In the first half equity markets were extremely weak, with the FTSE All Share Index bottoming on 3 March having fallen by 28%, before rallying by 48% by the end of September. This volatility was not confined to equity markets and both corporate and government bond markets experienced wild swings in investor sentiment during the period under review. The main factor to stimulate the recovery in markets was the evident determination by the monetary authorities to use whatever stimulus it could to firstly prevent the global financial system from collapsing and then prevent the global economy from sliding into a depression. The huge expansion of the monetary base, in addition to very low interest rates, has displaced capital from some asset classes, such as gilts and cash, into others, like equities and corporate bonds, where investors can still generate income.

As yet the stimulus has not yet returned the UK economy to growth although other major economies in Europe and US have begun to recover, albeit in a muted fashion. It is likely that the UK economy will return to growth in the current quarter but it is much harder to anticipate the outcome when the Bank of England withdraws the stimulus by ending the period of Quantitative Easing and raising interest rates. As the impact of these extreme measures is highly likely to be inflationary it will be necessary to tighten monetary policy early if inflation is not to take a grip.

One of the most direct impacts on your Company in the past twelve months has been the wave of dividend cuts that investors have suffered. The yield on the FTSE All Share Index fell from 5.5% to 3.5% and so many dividends have been cut that ten large companies now generate 58% of total market income. We do expect the outlook for dividends to improve in 2010 but it will be some time before investors see dividends returning to their pre-crisis levels. With income from all asset classes at depressed levels investors have had to recalibrate the level of income that is sustainable in current market conditions.

Performance

Despite rising by 102% since the market low in early March the steep fall in the Company's share price in the first half of the year produced a total return of -11.6% for the year to 30 September. Over the same period the return of the FTSE All Share Index was +10.8%.

From 1 August to 30 September the share price total return was +15.9% while the FTSE All Share total return was +12.8%.

Balance Sheet

Your Company has undergone major structural changes during the year. Following the completion of the strategy review which was flagged in the Interim Report the appointment of Troy Asset Management Ltd as Investment Manager led to an acceleration of the planned reduction in the Company's ZCF exposure and the final tranche was unwound in early August. The corporate bond portfolio was liquidated at the same time and the proceeds, as well as existing cash balances and further funds raised from the sale of selected equities, were used to return the Company to an un-gearred position.

Troy Investment Approach

Troy Asset Management was established in 2000 with a clear mandate to generate consistent long term investment returns without exposing investors to high levels of volatility. It is our view that achieving above average returns whilst experiencing below average volatility is a highly desirable objective for investors and this is what we seek to achieve in all of our funds. In order to achieve our objectives we focus heavily on identifying the potential downside of individual investments as well as the possible gains. This will sometimes mean that we forego money-making opportunities but more importantly should result in us avoiding the damaging permanent capital losses that can blight the records of higher risk investment strategies.

Our natural caution leads us to concentrate on higher quality companies which tend to operate in less cyclical industries. By choosing companies which we believe can sustain consistent levels of profitability the Company will be able to generate a reliable stream of dividend growth that can underpin the Company's dividend prospects. A progressive dividend policy will provide protection to investors from the impact of future inflation.

Portfolio Changes

Since the appointment of Troy the equity portfolio has been materially restructured. Holdings in companies with significant levels of economic sensitivity such as GKN, Tomkins, Persimmon, Premier Farnell and Millennium & Copthorne were sold. A number of holdings in more defensive shares which had been largely left behind by the market rally were purchased. These included Imperial Tobacco, Sage Group, Amlin, Nestle and Coca Cola, all companies which should be able to grow their dividends despite the difficult economic conditions. Many of these companies are on historically low valuations.

The core of the portfolio is represented by Consumer Goods, Energy and Pharmaceutical companies. The only major banks are HSBC and Standard Chartered while other significant individual holdings include Vodafone, Diageo and British

American Tobacco. There are now forty-one holdings in the portfolio and shareholders should expect to see low levels of turnover in the portfolio from here on.

Investment Outlook

Although the global rescue strategy launched by central banks and governments has stabilised global financial markets we remain concerned about the inflationary consequences of the huge increase in the monetary base. When the Quantitative Easing process is put into reverse and interest rates are increased the recent recovery across a range of asset prices is likely to come under pressure. We particularly favour high quality, international equities with relatively low levels of economic sensitivity. Such companies are trading at significant discounts to the equity market as a whole and should prove to be both resilient in the face of a market setback and likely to be re-rated in the event of the market making further progress.

Troy Asset Management Limited

8 December 2009

Troy Asset Management is an independent fund management company aiming to generate absolute returns for investors over the long term. It manages approximately £1bn of assets including three open-ended investment funds: the Trojan Fund, the Trojan Income Fund and the Trojan Capital Fund; and two investment trusts: the Personal Assets Trust Plc and the Glasgow Income Trust plc. Our investors include private individuals, charities, pension funds, trusts and endowments.

Results

Financial Highlights

	30 September 2009	30 September 2008	% change
Total investments	£51,846,000	£112,108,000	-53.8
Shareholders' funds	£53,992,000	£68,043,000	-20.7
Market capitalisation	£50,994,000	£64,349,000	-20.8
Net asset value per share	44.47p	56.04p	-20.6
Share price (mid market)	42.00p	53.00p	-20.8
Discount to adjusted NAV ^A	3.9%	2.1%	
Total gearing	0.0%	64.7%	
Total expense ratio ^B	1.4%	1.1%	
Dividends and earnings			
Revenue return per share ^C	3.26p	5.58p	-41.6
Dividends per share ^D	3.00p	5.3005p	-43.4
Dividend cover	1.09	1.05	
Revenue reserves ^E	£2,887,000	£3,952,000	

^A Based on IFRS NAV above reduced by dividend adjustment of 0.75p (2008 – 1.8865p).

^B Excludes non-recurring expenses of £112,500 (2008 – £nil).

^C Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Income Statement).

^D The figures for dividends per share reflect the years in which they were earned (see note 8 on page 36).

^E The revenue reserve figure does not take account of the fourth interim dividend amounting to £911,000 (2008 – £2,290,000).

Performance (total return)

	1 year ended 30 September 2009	3 years ended 30 September 2009	5 years ended 30 September 2009
Share price	- 11.6%	- 45.6%	- 9.5%
Net asset value per share	- 12.2%	- 40.3%	- 4.6%
FTSE All-Share Index	+ 10.8%	- 3.4%	+ 38.4%

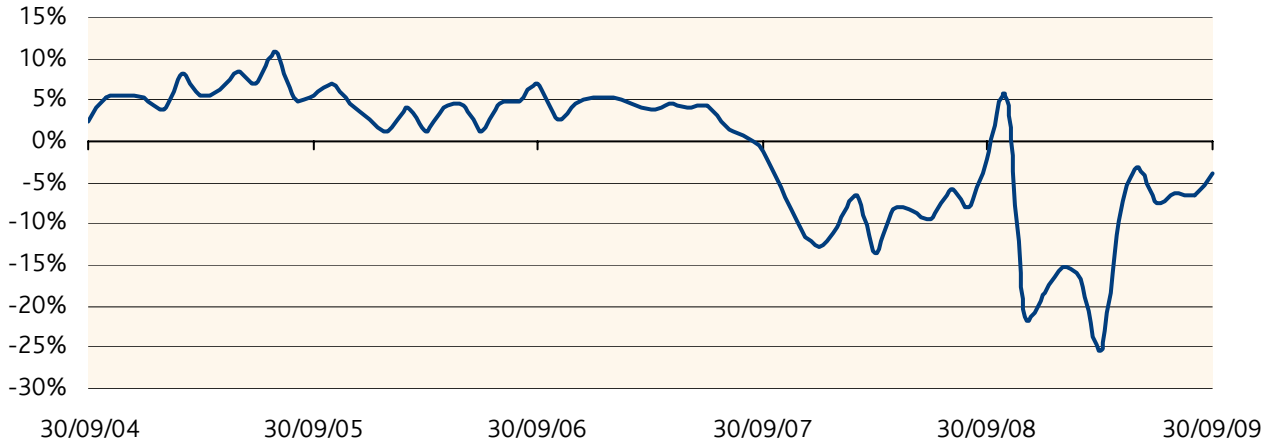
Dividends

	Rate per share	xd date	Record date	Payment date
First interim dividend	0.75p	7 January 2009	9 January 2009	30 January 2009
Second interim dividend	0.75p	8 April 2009	14 April 2009	30 April 2009
Third interim dividend	0.75p	8 July 2009	10 July 2009	31 July 2009
Fourth interim dividend	0.75p	7 October 2009	9 October 2009	30 October 2009
2008/09	3.00p			
First interim dividend	1.138p	9 January 2008	11 January 2008	31 January 2008
Second interim dividend	1.138p	9 April 2008	11 April 2008	30 April 2008
Third interim dividend	1.138p	9 July 2008	11 July 2008	31 July 2008
Fourth interim dividend	1.8865p	8 October 2008	10 October 2008	31 October 2008
2007/08	5.3005p			

Performance

Share Price Premium/(Discount) to NAV

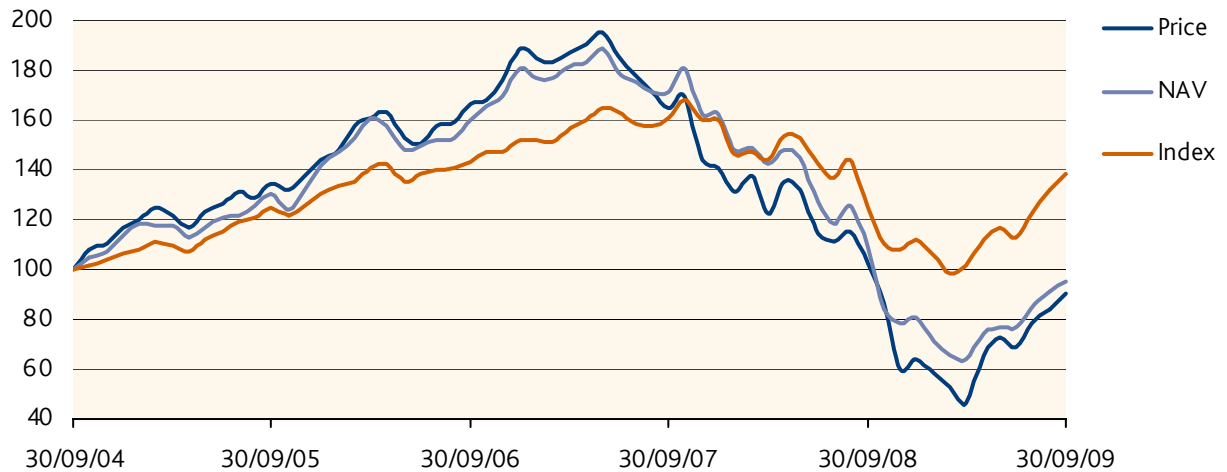
Five years to 30 September 2009



Source: Fundamental Data

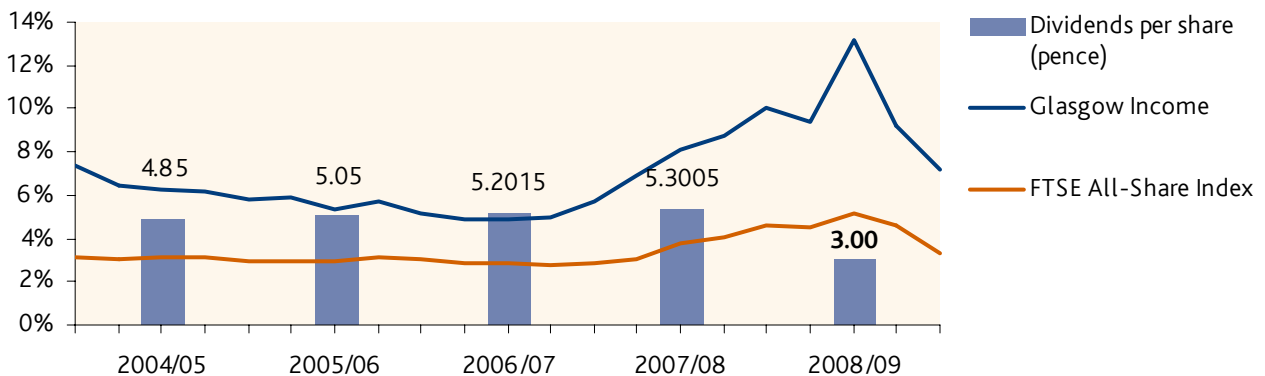
Total Return of NAV and Share Price vs FTSE All-Share Index

Five years to 30 September 2009 (rebased to 100 at 30/09/04)



Source: Fundamental Data & Factset

Net Dividend Yield (readers should refer to Chairman's Statement also)



Performance continued

Ten Year Financial Record

Year to 30 September	2000	2001	2002	2003	2004 [^]	2005	2006	2007	2008	2009
Revenue available for ordinary dividends (£'000)	1,279	1,633	1,682	1,796	2,294	3,210	4,650	6,331	6,790	3,957
Per share										
Net revenue return (p)	4.12	5.00	4.92	4.85	4.94	5.24	5.32	5.43	5.58	3.26
Net dividends paid/proposed (p)	3.70	4.70	4.85	4.85	4.85	4.85	5.05	5.2015	5.3005	3.00
Total return (p)	0.4	(1.5)	(12.0)	10.3	12.0	20.1	16.2	5.2	(33.0)	(7.4)
Net asset value per share										
Basic (p)	73.8	67.6	51.7	57.2	64.5	80.4	92.6	94.4	56.0	44.5
Shareholders' funds (£m)	22.9	22.1	19.1	21.2	31.6	63.4	87.0	115.1	68.0	54.0

[^] 2004 figures restated following the introduction of International Reporting Standards ('IFRS'). Figures for 2003 and earlier have not been restated.

Cumulative Performance

As at 30 September	1999	2000	2001	2002	2003	2004 [^]	2005	2006	2007	2008	2009
NAV	100.0	95.7	87.7	67.1	74.2	83.7	102.1	117.6	119.8	71.2	56.5
NAV total return [^]	100.0	99.6	96.5	78.8	95.5	118.4	154.8	189.2	203.1	128.7	113.0
Share price performance	100.0	93.6	95.6	77.1	85.9	88.9	111.8	131.0	123.2	71.4	56.6
Share price total return [^]	100.0	97.8	105.8	90.7	110.0	124.7	167.3	207.5	205.3	127.7	112.9
Benchmark performance	100.0	107.2	82.8	63.7	71.7	80.4	97.2	107.9	117.4	87.9	93.2
Benchmark total return [^]	100.0	109.5	86.8	68.8	80.2	92.9	115.9	133.0	149.2	116.0	128.5

[^] 2004 figures restated following the introduction of International Reporting Standards ('IFRS'). Figures for 2003 and earlier have not been restated.

[^] Total return figures are based on reinvestment of net income.

Investment Portfolio – Ordinary Shares

As at 30 September 2009

	Valuation 2009 £'000	Total portfolio %	Valuation 2008 £'000
HSBC	2,649	5.1	2,696
Prudential	2,376	4.6	2,467
Royal Dutch Shell	2,343	4.5	–
BP	2,212	4.3	2,088
Centrica	1,950	3.8	1,915
Whitbread	1,885	3.6	1,322
Provident Financial	1,771	3.4	1,873
Diageo	1,728	3.3	1,984
Tesco	1,698	3.3	1,512
AstraZeneca	1,682	3.2	1,476
Ten largest investments	20,294	39.1	
Close Bros	1,632	3.1	1,528
National Grid	1,631	3.1	1,856
Daily Mail & General Trust	1,584	3.1	1,420
Vodafone	1,584	3.1	1,098
British American Tobacco	1,551	3.0	679
Imperial Tobacco	1,537	3.0	–
Reynolds American	1,529	2.9	–
Pennon Group	1,498	2.9	–
GlaxoSmithKline	1,475	2.8	–
Unilever	1,334	2.6	837
Twenty largest investments	35,649	68.7	
Nestle	1,197	2.3	–
FirstGroup	1,179	2.3	3,328
Reed Elsevier	1,171	2.3	–
BG Group	1,087	2.1	–
Amlin	1,055	2.0	–
Greggs	1,000	1.9	–
Sage Group	934	1.8	–
United Utilities	913	1.8	–
Schroders	908	1.8	–
Coca-Cola	839	1.6	–
Thirty largest investments	45,932	88.6	
Scottish & Southern Energy	704	1.4	1,998
BT	669	1.3	2,199
Pearson	617	1.2	–
Standard Chartered	511	1.0	–
Morrison Supermarkets	485	0.9	–
Associated British Foods	466	0.9	–
Brookwell	232	0.4	540
Hotel Corp	17	–	27
Total ordinary shares	49,633	95.7	

Investment Portfolio – Other Investments

As at 30 September 2009

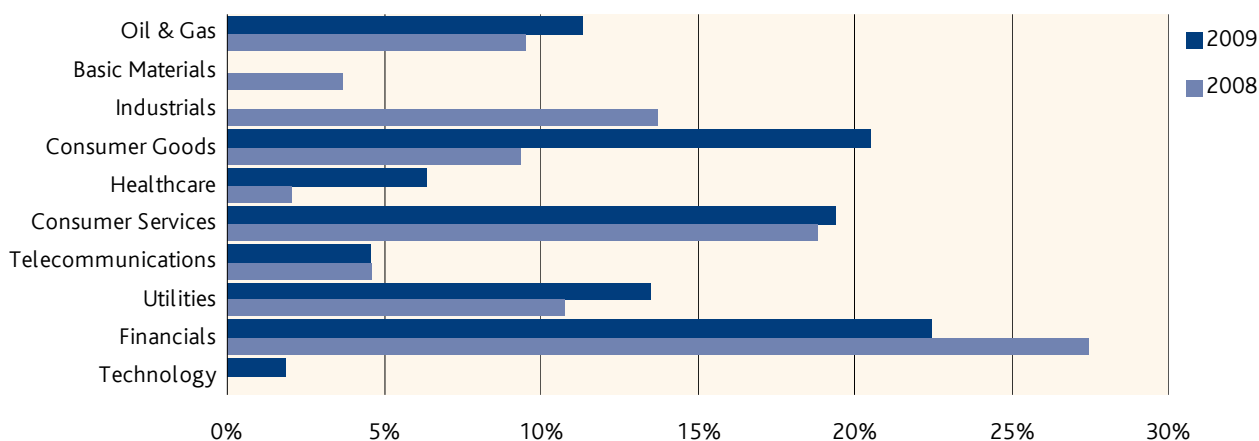
	Valuation 2009 £'000	Total portfolio %	Valuation 2008 £'000
Convertibles			
Balfour Beatty 10.75p	238	0.5	1,890
Total convertibles	238	0.5	
Preference shares			
Co-op Bank 9.25%	1,392	2.7	3,510
Standard Chartered 8.25%	583	1.1	1,476
Total preference shares	1,975	3.8	
Total investments	51,846	100.0	

Distribution of Assets and Liabilities

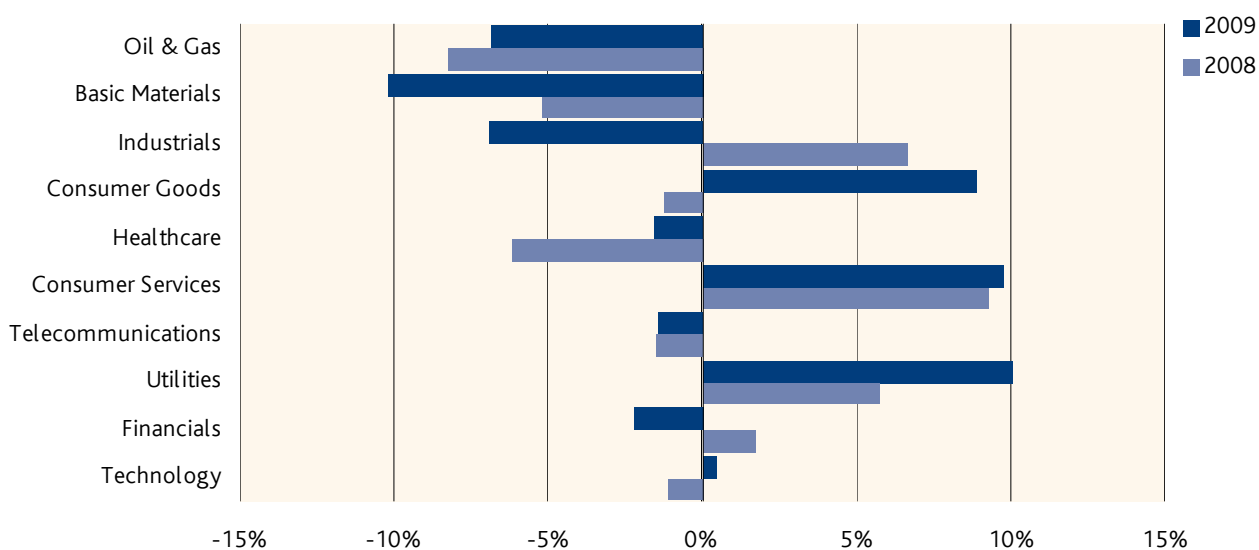
As at 30 September 2009

	Valuation at 30 September 2008		Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation at 30 September 2009	
	£'000	%				£'000	£'000
Listed investments							
Ordinary shares	71,202	104.6	24,921	(40,341)	(6,149)	49,633	91.9
Convertibles	1,890	2.8	500	(2,105)	(47)	238	0.4
Corporate bonds	29,075	42.7	6,405	(34,077)	(1,403)	–	–
Other fixed interest	9,941	14.6	–	(7,613)	(353)	1,975	3.7
	112,108	164.7	31,826	(84,136)	(7,952)	51,846	96.0
Other non-current assets	21,715	31.9				–	–
Current assets	19,148	28.1				2,666	4.9
Current liabilities	(6,211)	(9.1)				(520)	(0.9)
Non-current liabilities	(78,717)	(115.6)				–	–
Net assets	68,043	100.0				53,992	100.0
Net asset value per share	56.04p					44.47p	

Analysis of Listed Equity Portfolio



Glasgow Income Trust Weightings Relative to the FTSE All-Share Index



Your Board of Directors

The Directors, all of whom are non-executive and independent of the Manager, supervise the management of Glasgow Income Trust plc and represent the interests of shareholders.



Ronald G Hanna C.A.

Status: Independent Non-Executive Director - Chairman

Length of Service: 14 years and 4 months.

Experience and other public company directorships: Non-executive Chairman of A G Barr plc and Chairman of Bowleven plc. Formerly Chief Executive of Bett Brothers plc. Formerly a Director of St. Andrew Trust plc.

Last re-elected to the Board: 19 December 2008.

Committee membership: Audit Committee, Nominations Committee (Chairman).

Remuneration for the financial year: £20,000 per annum.

Employment by the Manager: None.
Other connections with Company or Manager: None.

Shared Directorships with any other Company Directors: Bowleven plc.

Shareholding in Company: 209,315 Ordinary shares.



Ian M Boyd M.Sc,C.A.

Status: Independent Non-Executive Director.

Length of Service: 19 years and 6 months.

Experience and other public company directorships: Formerly Chairman of Braid Group (Holdings) Limited and Group Finance Director of The Weir Group plc. He was a Council Member of The Institute of Chartered Accountants of Scotland from 1987 to 1993.

Last re-elected to the Board: 19 December 2008.

Committee membership: Audit Committee (Chairman), Nominations Committee.

Remuneration for the financial year: £14,000 per annum.

Employment by the Manager: None.
Other connections with Company or Manager: None.

Shared Directorships with any other Company Directors: None.

Shareholding in Company: 70,000 Ordinary shares.



Kevin Hart B.Sc (Hons)

Status: Independent Non-Executive Director.

Length of Service: 6 years and 6 months.

Experience and other public company directorships: Chief Executive of Bowleven plc. Formerly Group Finance Director of Cairn Energy plc. Former Senior Associate Director of Deutsche Morgan Grenfell Limited and a former Director of Energy Services Hub Limited.

Last re-elected to the Board: 22 December 2006.

Committee membership: Audit Committee, Nominations Committee.

Remuneration for the financial year: £14,000 per annum.

Employment by the Manager: None
Other connections with Company or Manager: None.

Shared Directorships with any other Company Directors: Bowleven plc.

Shareholding in Company: 500,000 Ordinary shares.



Martin Griffiths LLB (Hons),C.A.

Status: Independent Non-Executive Director.

Length of Service: 2 years.

Experience and other public company directorships: Currently Finance Director of Stagecoach Group plc, a non executive director of Robert Walters plc and Co-chairman of Virgin Rail Group. He is a member of and a past Chair of the Group of Scottish Finance Directors.

Last re-elected to the Board: 19 December 2007.

Committee membership: Audit Committee, Nominations Committee.

Remuneration for the financial year: £14,000 per annum.

Employment by the Manager: None.

Other connections with Company or Manager: None.

Shareholding in Company: 28,000 Ordinary shares.

Directors' Report

Continuation Vote

In the annual report and accounts for the year ended 30 September 2008, the Directors committed to proposing a further continuation vote at or prior to the next AGM. The Directors subsequently issued a circular to shareholders dated 24 August 2009 which set out their proposals for the future of the Company and these proposals, which included a proposed fundraising and a change to the Company's current investment policy, were approved by shareholders at an extraordinary general meeting of the Company which was held on 17 September 2009.

As indicated in the circular, it was not the Board's intention to put a further continuation vote to shareholders at the forthcoming AGM in the event that the proposed fundraising had been undertaken prior to the AGM. However, the proposed fundraising outlined in the circular has not proceeded to date and, accordingly, a continuation vote will be put to shareholders at this year's AGM. If the continuation vote is not passed, the Directors will convene a general meeting to be held within four months after the date of the continuation vote at which a special resolution will be proposed to require the Company to be wound up voluntarily or to approve proposals which provide shareholders with the opportunity to realise their investment. However, in the opinion of the Company's advisers, the continuation vote has a reasonable prospect of succeeding.

The Board and the Company's advisers are continuing to explore options with a view to increasing materially the size of the Company. It continues to be the Board's opinion that it is in the best interests of shareholders to enlarge the size of the Company. The Board believes that a substantial increase in the size of the Company should bring with it a number of benefits, including broadening the investor base, improving the liquidity in and marketability of its shares and lowering the Company's total expense ratio.

Accordingly, the Directors are unanimously recommending that shareholders vote in favour of the continuation vote at this year's AGM. If the continuation vote is passed, the Company's next continuation vote will be held at the Company's first annual general meeting following the financial year ending 30 September 2013.

Status of the Company

The Company, which was incorporated in 1988, has received approval as an investment trust by HM Revenue & Customs for all accounting periods up to and including 30 September 2008 and has since conducted its affairs so as to enable it to retain such approved status. It is a member of the Association of Investment Companies. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006.

Change of Name

The Board intends to change the name of the Company to "Troy Income & Growth Trust plc" immediately following the forthcoming AGM by exercising the powers conferred upon the Board under the Company's articles of association. This new name will better reflect the Company's investment policy and management arrangements.

Business Review

Activities

The Company is an investment trust. Its subsidiary undertaking, G.I.T. Securities Limited, operates as an investment dealing company. There was no investment dealing activity in the year.

Investment Objective and Policy

Following shareholder approval at an extraordinary general meeting held on 17 September 2009, the Company's investment objective is to provide shareholders with an attractive income yield and the prospect of income and capital growth through investing in a portfolio of predominantly UK equities.

Details of the Company's investment policy and strategy are provided in the Corporate Summary section on page 3.

Results and Dividends

The financial statements for the year ended 30 September 2009 appear on pages 27 to 46. Dividends declared in respect of the year amounted to 3.0p per share (2008 - 5.3005p). The fourth interim dividend of 0.75p per share announced on 4 October 2009 (2008 - 1.8865p) will be accounted for in the financial year ending on 30 September 2010. As detailed in note 8, under International Financial Reporting Standards (IFRS) the dividends accounted for in the 2009 results amount to 4.1365p per share (£5,022,000) compared to 5.3005p per share (£6,457,000) accounted for in the year ended 30 September 2008.

Share Capital

At the Annual General Meeting held on 19 December 2008, shareholders approved the renewal of the authority permitting the Company to make market purchases of its own Ordinary shares. This authority (which unless renewed, will expire at the conclusion of the Company's forthcoming AGM) is limited to Ordinary shares with a maximum aggregate nominal value of £4,549,972 (being equal to approximately 14.99% of the Ordinary shares in issue as at 19 December 2008). It is proposed that this authority will be renewed at the Company's forthcoming AGM (see Annual General Meeting below). During the year ended 30 September 2009, no Ordinary shares were purchased. The issued share capital at 30 September 2009 and as at the date of this report consisted of 121,413,532 Ordinary shares of

25p each and 528,985 Ordinary shares held in treasury. Each holder of an Ordinary share, excluding treasury shares, is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary share held.

Current and Future Development

A review of the business is given in the Chairman's Statement and the Manager's Review. Key performance indicators ("KPIs") are shown in the financial information on pages 8 and 9 with historical performance being shown on page 10. These KPIs include net asset value total return, share price total return, and the premium/discount at which the shares trade. The Board also considers the marketing and promotion of the Company including effective communications with Shareholders, which is explained in more detail in the Relations with Shareholders section on page 22. The future strategic direction and development of the Company is discussed frequently as part of Board meeting agendas.

Principal Risks and Uncertainties and Risk Management

The principal risks facing the Company relate to the Company's investment activities and include market price risk (comprising interest rate risk, foreign currency risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained below and in note 19 to the financial statements commencing on page 41.

Risk Management

The Directors are responsible for supervising the management of the Company, while the day-to-day management of the Company's assets has been delegated to the Manager. Troy is an independent fund management company aiming to generate absolute returns for investors over the longer term. Troy seeks to preserve and build investors' wealth by constructing conservative portfolios for the long term which demonstrate lower than average volatility.

Portfolio exposure is limited by the investment guidelines drawn up by the Board in conjunction with the Manager.

These include:

- Overseas investments not to exceed 15% of gross assets;
- UK equity portfolio to comprise between 30 and 50 individual holdings;
- No more than 6% of gross assets in any one FTSE 100 stock;
- No more than 3% of gross assets in any one Mid 250 stock;
- No more than 2% of gross assets in any one small cap stock;
- No more than 20% of gross assets in any one FTSE Industry Sector.

Analysis of Portfolio

A comprehensive analysis of the portfolio is given in the Manager's Review on pages 6 and 7, the distribution of assets and liabilities on page 13 and the Investment Portfolio on pages 11 and 12.

Directors

Details of the Directors are set out on pages 14 and 15. All held office throughout the year. Having served on the Board for more than nine years, R.G. Hanna, and I.M. Boyd submit themselves for annual re-election in accordance with the AIC Code. K. Hart retires by rotation and offers himself for re-election.

The Board has reviewed its collective performance and that of each individual member and believes it continues to operate in an efficient and effective manner with each Director making a significant contribution to the performance of the Company and remaining independent of the Manager. Given this, the Board recommends to shareholders the re-election of Mr Hanna, Mr Boyd and Mr Hart.

There were no contracts during or at the end of the year in which any Director was materially interested. No Director had a material interest in any investment in which the Company itself had a material interest.

The Directors at 30 September 2009 had no other interest other than those interests, all of which are beneficial interests, shown below in the share capital of the Company.

	At 30 September 2009		At 1 October 2008	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R G Hanna	208,607	-	114,275	-
I M Boyd	70,000	-	70,000	-
K Hart	500,000	-	500,000	-
M Griffiths	28,000	-	28,000	-

R.G. Hanna holds part of his beneficial holding through the Aberdeen Investment Trust ISA. As a result of a standing arrangement to acquire shares in the Company by reinvestment of dividends, his beneficial holding has increased by 708 shares during the period 1 October 2009 to 4 December 2009. There have been no other changes in the interests of Directors in the share capital during the period 1 October 2009 to 4 December 2009.

Substantial Interests

As at 4 December 2009 the Company had received notification of the following interests in the Ordinary share capital of the Company:

Shareholder	Number of shares held	% held
M&G Investment Management	8,094,248	6.64
Legal & General Investment Management	5,130,559	4.21

Manager

With effect from 1 August 2009, investment management services are provided to the Company by Troy Asset Management Limited and the fee is at an annual rate of 0.75% of the Company's net assets. The key terms of the investment management agreement (including details of the arrangements relating to the termination of the Manager's appointment) are set out in the section entitled "Investment Management Agreement" below.

Investment Management Agreement

Details of the fee charged by Troy (and previously Aberdeen) in the financial year and how it is calculated are set out in note 3 to the financial statements. The Board believes the fee charged by Troy (and previously Aberdeen) is competitive by comparison with other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by the Manager.

The contract between the Company and Troy may be terminated by either party on 6 months' notice, subject to an initial minimum term of 12 months following the passing of the continuation resolution which is to be proposed at the forthcoming annual general meeting of the Company (if that resolution is passed). If the continuation resolution is not passed and the Company is either wound up or is the subject of a reconstruction or amalgamation then the contract is terminable without notice or compensation. No compensation is payable to the Manager in the event of termination of the contract over and above payment in respect of the required minimum notice.

The contract is also terminable summarily by either party in the event of material breach by the other party; the occurrence of certain events suggesting the insolvency of the other party or relating to the winding up of the other party; the serious misconduct, negligence, wilful default, or fraud of the other party; or the Company being the subject of any reconstruction or amalgamation following a continuation vote having failed to be passed by the Company in general meeting and/or the Company being wound up, liquidated or dissolved. In addition, the Company is entitled to terminate the contract summarily (a) if Francis Brooke ceases to be a full-time executive of Troy, (b) if Troy ceases to have the appropriate FSA authorisation to manage the Company's assets, (c) if Troy or any of its employees or associates is

involved in any conduct which is materially prejudicial to the interests of the Company, (d) if Troy undergoes a change of control (other than through a change of control whereby the existing management team of Sebastian Lyon, Francis Brooke and Simon de Zoete increases its aggregate holding in Troy to more than 50 per cent of the voting rights or through a change of control which does not involve a change of control of the Manager's ultimate holding company, (e) if the Company ceases to satisfy the conditions for approval as an investment trust by reason of the Manager's negligence or wilful default or (f) if an FSA audit or investigation gives rise to an adverse finding in relation to any significant aspect of the Manager's business which might be expected to have a materially adverse effect on the Company's business or reputation.

The Board considers the continuing appointment of the Manager to be in the best interests of the shareholders at this time. The Board believes Troy has the skills and experience appropriate to achieving the Company's investment objective.

Company Secretary

Company Secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC for an annual fee of £100,000, plus VAT, chargeable monthly in advance from 1 August 2009. This agreement is for an initial fixed period of six months and then may be terminated by either party on the basis of one month's notice.

Corporate Governance

The Statement of Corporate Governance is set out on pages 21 to 23 and forms part of this report.

Audit Committee

Details of the Audit Committee are contained within the Statement of Corporate Governance on page 22.

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.

Going Concern

The validity of the going concern basis depends on the continuation vote at the AGM being passed by shareholders. The primary purpose of the continuation vote is to determine whether the shareholders are satisfied to continue the operations of the Company. There is no guarantee that shareholders will pass the continuation vote at the AGM.

Other than this consideration, the Directors, having regard to the liquid nature of the Company's portfolio and the un-g geared structure, are satisfied that the Company continues to be a going concern. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office. Resolution 6, to re-appoint Ernst & Young LLP as the Company's Auditors, will be put to the forthcoming Annual General Meeting along with Resolution 7, to authorise the Directors to determine their remuneration. The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's Auditors are aware of that information.

Discount policy

The Company is introducing a new discount policy with effect from the conclusion of the forthcoming AGM. This policy will be to ensure that the Ordinary shares always trade at close to net asset value through a combination of share buy-backs coupled with the issue of new Ordinary shares at a premium to net asset value where demand exceeds supply. The implementation of the new discount policy will be dependent on the Company's authority to buy back Ordinary shares, and the Directors' authority to issue Ordinary shares on a non pre-emptive basis, being renewed at the forthcoming AGM.

This new discount control mechanism will be operated by Troy for an initial fee (additional to its investment management fee) of £15,000 (excluding VAT) for the first 6 months and £30,000 per annum (excluding VAT) thereafter.

The Directors will continue to seek the renewal of the Company's authority to buy back Ordinary shares annually and at other times should this prove necessary. Any buy-back of Ordinary shares will be made subject to the Companies Act 2006 and within guidelines established from time to time by the Board and the making and timing of any buy-backs will be at the absolute discretion of the Board. The Directors will be authorised to cancel any Ordinary shares purchased under such authority or to hold them in treasury. Purchases of Ordinary shares will only be made through the market for cash at prices below the prevailing net asset value of the Ordinary shares (as last published). Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid

must not be less than the nominal value of an Ordinary share nor more than the higher of (a) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made and (b) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

It is the intention of the Directors that the share buy-back authority will be used to purchase Ordinary shares if the middle market price for a Share is below the net asset value per Ordinary share most recently published by the Company (taking into account any rights to which the Ordinary shares are trading "ex"). However, nothing in this discount policy will require the Directors to take any steps that would require the Company to make a tender offer for its shares or to publish a prospectus. Notwithstanding this discount policy, there is no guarantee that the Ordinary shares will trade at close to the net asset value per Ordinary share. Shareholders should note that the implementation of this discount policy could lead to a reduction in the size of the Company over time.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 14 January 2010, the following resolutions will be proposed:

- (i) **Section 551 authority to allot shares**
Resolution 9 which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal value of £69,514,370.75, representing approximately 229 per cent of the total Ordinary share capital of the Company in issue (excluding treasury shares) as at the date of this document, such authority to expire on 31 March 2011 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).
- (ii) **Disapplication of Pre-emption Provisions**
Resolution 10 is to enable the Directors to issue new shares and to resell shares held in treasury up to an aggregate nominal amount of £69,646,617 (representing approximately 228.5 per cent of the total Ordinary share capital in issue (including treasury shares as at the date of this document)). As at the date of this document, 528,985 Ordinary shares were held by the Company in treasury (representing approximately 0.436 per cent of the total Ordinary share capital in issue (excluding treasury shares as at the date of this document)). Resolution 10, which is a special resolution, will, if approved, give the Directors power to allot Ordinary shares (including Ordinary shares held in treasury) for cash, otherwise than pro rata to existing

shareholders, up to a maximum aggregate nominal amount of £69,646,617. Ordinary shares would only be issued for cash at a price not less than the net asset value per share. This authority will expire on 31 March 2011 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting). As noted, this disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell. It is the intention of the Board that the resale of any treasury shares would take place at a price of not less than the net asset value prevailing at the date of sale.

As noted in the section entitled "Continuation Vote" above, it continues to be the Board's opinion that it is in the best interests of shareholders to enlarge the size of the Company materially. Accordingly, the Directors intend to exercise the authorities which would be conferred by the passing of resolutions 9 and 10 for the purposes of achieving this objective. The Directors unanimously recommend that shareholders vote in favour of these resolutions.

(iii) Continuation vote

Resolution 8, which is an ordinary resolution, will, if approved, allow the Company to continue as an investment trust. Further details of the continuation vote are set out in the section entitled "Continuation Vote" above. The Directors unanimously recommend that shareholders vote in favour of the continuation vote.

(iv) Purchase of the Company's own Ordinary shares

Resolution 11, which is a special resolution, will be proposed to renew the Company's authorisation to make market purchases of its own shares. The maximum number of Ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 18.2 million Ordinary shares). The minimum price which may be paid for an Ordinary share (exclusive of expenses) shall be 25p. The maximum price for an Ordinary share (again exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. Shares so repurchased will be held in treasury. Any purchase of shares will be made within guidelines established from time to time by the Board. This authority will expire on 31 March 2011 or, if earlier, at the conclusion of the

next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(v) Notice period for general meetings

This resolution is required to reflect the coming into force of the Shareholders' Rights Regulations. The Shareholders' Rights Regulations, as they amend the Companies Act 2006, increase the notice period for general meetings of the Company to 21 days. The Company's articles of association enable the Company to call general meetings (other than an annual general meeting) on 14 clear days' notice. In order for this to be effective, the shareholders must also approve annually the calling of meetings other than annual general meetings on 14 days' notice. Resolution 13 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations), offering facilities for all shareholders to vote by electronic means before it can call a general meeting on 14 days' notice.

(vi) Articles of Association

The Company adopted new articles of association at the extraordinary general meeting held on 17 September 2009. These new articles became effective on 1 October 2009 to coincide with the Companies Act 2006 coming fully into force. The new articles inadvertently omitted the provision of the previous articles which require the holding of a continuation vote at every fifth annual general meeting of the Company. Accordingly, resolution 12 is proposed to reinstate the relevant article.

Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and recommend that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings totalling 807,315 Ordinary shares, and representing 0.66% of the issued Ordinary share capital of the Company.

By Order of the Board
Aberdeen Asset Management PLC
Secretaries
8 December 2009

Statement of Corporate Governance

The Board has 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 set out in the Combined Code on Corporate Governance (the "Combined Code") issued in June 2008 and in the AIC Code of Corporate Governance (the "AIC Code") which was re-issued in March 2009.

Save as identified below, no exceptions to compliance with the Combined Code were identified.

The Board

The Board currently consists of four non-executive Directors. The Board considers the post of chief executive officer is not relevant for an investment trust as this role is effectively delegated to the Manager. Given the size and composition of the Board it is not felt necessary to separate the roles of the Chairman and Senior Independent Director. Biographies of the Directors appear on pages 14 and 15 which demonstrate the wide range of skills and experience each brings to the Board. Each Director has signed a letter of appointment to formalise in writing the terms of their engagement as a non-executive Director. Copies of these letters are available for inspection at the registered office of the Company during normal business hours and at the London office of the Secretary at Bow Bells House, 1 Bread Street, London EC4M 9HH and will also be available for fifteen minutes prior to and during the Annual General Meeting.

The Articles of Association permit the Company to indemnify the Directors, former directors or any other officer for any liabilities incurred in the actual or purported execution of their duties or powers, or otherwise in relation to their duties, powers or office, to the widest extent possible under the new 2006 Act.

The Board regularly reviews the independence of its members and, having due regard to the definitions and current AIC guidelines on independence, considers all Directors to be independent of the Company's Manager. The Board takes the view that independence is not compromised by length of tenure and that experience and continuity can add significantly to the Board's strength. The Board has considered the independence of Mr Hanna and Mr Boyd with particular care and feels they display all the characteristics of independence and can be relied upon so to act at all times. Mr Hanna and Mr Boyd will be subject to re-election on an annual basis.

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. In order to review its effectiveness, the Board carries out a process of formal self appraisal. The Directors consider how the Board functions as a whole and also review the individual performance of its

members. This process is led by the Chairman and encompasses quantitative and qualitative measures of performance implemented by way of an evaluation survey questionnaire and Board discussion. It also forms the basis of the decision on whether or not Directors are nominated for re-election at the relevant intervals. This process has been carried out in respect of the year under review and will be conducted on an annual basis. The review concluded that the Board is functioning well and there are no issues of concern.

Directors have attended Board and Committee meetings during the year ended 30 September 2009 as follows:

Director	Board Meetings Attended	Audit Committee Meetings Attended
R G Hanna	15/16	2/2
I M Boyd	15/16	2/2
K Hart	16/16	2/2
M Griffiths	15/16	2/2

The Board has appointed Troy with effect from 1 August 2009 (and formerly Aberdeen) to manage the Company's investment portfolio within guidelines set by the Board and has appointed Aberdeen to provide it with accounting and secretarial services. Aberdeen provides the Board with monthly reports on the Company's activities. In the case of Board meetings, the information includes the investment manager's review, statistics analysing the Company's performance relative to its benchmark, peers and various stock market indicators, details on investments purchased and sold, projections of future income from investments, gearing and cash management details.

The Board has a formal schedule of matters specifically reserved to it for decision. These are discussed at regular intervals (at least once per annum) and comprise corporate matters, the Company's objective, advisers, the Manager and the management agreement. When necessary, the Manager is requested to withdraw so that the Directors may discuss matters in private. 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 Aberdeen as secretary of the Company.

The Board has appointed two committees to cover specific operations as set out below. Copies of the terms of reference of each committee are available on request from Aberdeen and will also be available at the Annual General Meeting.

Statement of Corporate Governance continued

Audit Committee

The Audit Committee comprises all of the Directors of the Company. The Audit Committee meets at least twice per year to coincide with the annual and interim reporting and audit cycle. The Chairman is Mr Boyd. The principal role of the Audit Committee is to review the annual and interim financial statements and the accounting policies applied therein and ensure compliance with financial and regulatory reporting requirements. The external auditors, Ernst & Young LLP, whose continued appointment is also reviewed and ratified by the Audit Committee, attend at least one meeting of the Audit Committee per year. In addition the Audit Committee reviews the independence of the external auditors in relation to the audit of the annual financial statements. In completing this review, the Audit Committee has taken into account the standing, experience and tenure of the Audit Partner, the nature and level of service provided and confirmation that they have complied with relevant UK independence guidelines. The Audit Committee considers Ernst & Young LLP to be independent both of the Company and the Manager in all respects.

The Audit Committee also reviewed the provision of non-audit services by the auditors. For the year ended 30 September 2009, there were no non-audit services provided.

The Audit Committee's responsibilities also include reviewing the arrangements in place within Troy and Aberdeen whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

Nominations Committee

The Nominations Committee, which comprises all Directors of the Company, considers the appointment of new Directors. Under the Articles of Association new Directors are subject to re-election at the first Annual General Meeting after their appointment. Directors do not have a service contract or fixed term in office but in accordance with the AIC Code they are required to submit themselves for re-election every three years and annually after nine 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. There have been no meetings of the Nominations Committee in the period.

Remuneration Committee

As noted in the Directors' Remuneration Report on page 25, the Board as a whole reviews and sets the rates of remuneration payable to each Director, and therefore no separate Remuneration Committee has been constituted.

Management Engagement Committee

The Board does not deem it necessary to constitute a separate Management Engagement Committee. The Board as a whole reviews the Manager and the management agreement annually. Details of the management agreement are shown on page 18.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company and the Company reports formally to shareholders twice a year by way of the Annual and Interim Report. All shareholders have the opportunity to attend and vote at annual general meetings at which Directors and the Manager are available to discuss key issues affecting the Company. Both Troy, since appointment, and Aberdeen previously, also conduct meetings with shareholders to discuss issues relating to the Company and also to give them the opportunity to meet the Board, if requested.

As recommended by the AIC Code, the Company makes available the proxy votes cast at general meetings. In addition the aim is to give at least twenty working days' notice to shareholders 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.

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 in accordance with the Financial Reporting Council's guidance document "Internal Control: Revised Guidance for Directors on the Combined Code." This process has been in place throughout the year under review and up to the date of approval of the Annual Report.

The Board has delegated certain functions. The main service providers are Troy, the Manager, Aberdeen the Secretary and administrator; HSBC Bank plc, the Custodian; and Equiniti Limited, the Registrars. Troy and Aberdeen provide the Board with regular reports, which cover investment activities and financial matters, and with periodic reports on the control procedures and the 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.

Responsibilities as an Institutional Shareholder

In October 2002, The Institutional Shareholders' Committee, of which the AIC 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 investee companies.

General Policy

The Board delegates to the Manager responsibility for selecting the portfolio of investments, within investment guidelines established by the Board after discussion with the Manager, and for monitoring the performance and activities of investee companies. The Manager carries out detailed research of investee companies and possible future investee companies through internally generated research. 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 policies relating to socially responsible investment.

The Company's voting rights in respect of investee companies are delegated to the Manager, who votes at all general meetings of UK companies and reports to the Board on a regular basis. The Manager considers each case on its individual merits with the primary aim of the use of voting rights being to ensure a satisfactory return from investments.

Social, Ethical and Environmental Policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Company's Manager to deliver against these objectives, they have also requested that they take into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long term risk to the sustainability of their businesses.

More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

By Order of the Board
Aberdeen Asset Management PLC
Secretaries
8 December 2009

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report & Accounts including the group and parent company financial statements, in accordance with applicable law and regulations. Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under the law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements on the same basis.

The group and parent company financial statements are required by law and IFRSs, as adopted by the EU, to present fairly the financial position of the group and the parent company and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company 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 whether they have been prepared in accordance with IFRSs as adopted by the EU subject to any material departures disclosed and explained in the Notes to the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors confirm that the financial statements comply with these requirements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report including a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms that to the best of their knowledge:

- the group financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Directors' Report (incorporating the other sections of this document which are referred to in it) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

For and on behalf of Glasgow Income Trust plc

I.M. Boyd

Chairman of the Audit Committee

8 December 2009

Directors' Remuneration Report

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 to attract and retain Directors of the appropriate calibre and reflect the time spent and the responsibilities borne by Directors in exercising the stewardship required of the Company. In setting these rates, the Board acts principally on advice from the Secretary, who monitors rates of directors' remuneration in companies of comparable size and activities and carries out other relevant research requested by the Board. No separate remuneration committee has been constituted in view of the level of work delegated to the Manager and Secretary.

No Director has a service contract with the Company or its subsidiary undertaking, although each has a letter of appointment confirming their appointment and setting out their remuneration as at the date of the letter. These letters contain no provision regarding notice period, nor do they make provision for compensation payable upon early termination of the Director's appointment.

Unaudited Information

Remuneration Policy

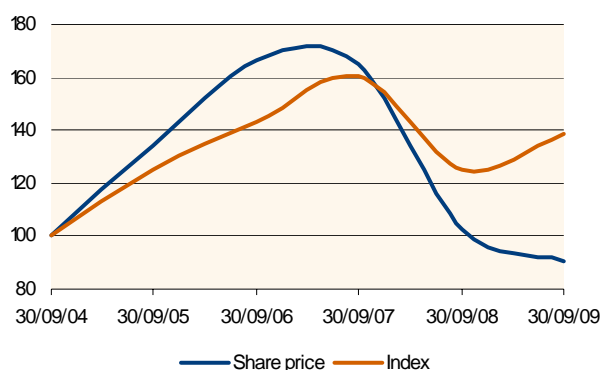
The Articles of Association of the Company set a maximum aggregate limit within a financial year for non-executive Directors' remuneration. The limit for the year ended 30 September 2009 was £76,400, and is subject to annual upward adjustment on 1 October each year in line with the change in the Retail Price Index and also subject to a pro-rata adjustment should the number of Directors be increased either temporarily or permanently.

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.

Directors' Remuneration Rates

The annual rates of remuneration with effect from 1 January 2007 were £20,000 for the Chairman and £14,000 for each other Director.

The chart shown below illustrates the total Shareholder return for a holding in the Company's shares as compared to the total return on the FTSE All-Share Index (excluding Investment Companies) for the five year period to 30 September 2009. This index is deemed to be the most appropriate one against which to measure the Company's long-term performance.



Audited Information

The total fees payable to each Director who served during the financial year under review and the previous financial year of the Company are shown in the following table (audited):

	Group and Company	
	2009	2008
	£	£
R.G. Hanna	20,000	20,000
I.M. Boyd	14,000	14,000
K. Hart	14,000	14,000
M. Griffiths	14,000	12,561
	62,000	60,561

There is no performance related remuneration scheme such as an annual bonus, or a long-term incentive scheme 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 financial year under review or the preceding financial year other than the fees shown above.

Approved by the Board of Directors on 8 December 2009 and signed on its behalf.

R.G. Hanna
Chairman

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

We have audited the Consolidated and Company financial statements (the "financial statements") of Glasgow Income Trust plc (the "Company") for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Group and the Company Balance Sheets, the Consolidated and the Company Statements of Changes in Equity, the Group and the Company Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2009 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on pages 18 and 19, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Gordon Coull (Senior statutory auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

Edinburgh

8 December 2009

Consolidated Income Statement

	Note	Year ended 30 September 2009			Year ended 30 September 2008		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value	10	–	(7,952)	(7,952)	–	(42,684)	(42,684)
Currency losses		–	(18)	(18)	–	–	–
Revenue	2						
Income from listed investments		4,007	–	4,007	7,100	–	4,540
Other income		863	14	877	1,243	25	83
		4,870	(7,956)	(3,086)	8,343	(42,659)	(34,316)
Expenses							
Investment management fees	3	(172)	(172)	(344)	(351)	(351)	(702)
VAT recoverable on investment management fees	21	250	216	466	–	–	–
Other administrative expenses	4	(411)	–	(411)	(287)	–	(287)
Finance costs of borrowing	5	(1)	(1)	(2)	(11)	(11)	(22)
Zero coupon finance costs	14	–	(5,061)	(5,061)	–	(4,108)	(4,108)
Profit/(loss) before taxation		4,536	(12,974)	(8,438)	7,694	(47,129)	(39,435)
Taxation	6	(579)	(12)	(591)	(904)	105	(799)
Profit/(loss) attributable to equity holders of the Company		3,957	(12,986)	(9,029)	6,790	(47,024)	(40,234)
Earnings per Ordinary share (pence)	9	3.26	(10.70)	(7.44)	5.58	(38.62)	(33.04)

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue return and capital columns are both prepared as explained in the accounting policies on page 31. All items in the above statement derive from continuing operations.

All income and losses are attributable to the equity holders of the parent company. There are no minority interests.

No operations were acquired or discontinued during the year.

The Directors are of the opinion that the Group is engaged in a single segment business, being investment business.

The accompanying notes are an integral part of these financial statements.

Balance Sheets

	Note	Group		Company	
		As at 30 September 2009 £'000	As at 30 September 2008 £'000	As at 30 September 2009 £'000	As at 30 September 2008 £'000
Non-current assets					
Ordinary shares		49,633	71,202	49,633	71,202
Convertibles		238	1,890	238	1,890
Corporate bonds		–	29,075	–	29,075
Other fixed interest		1,975	9,941	1,975	9,941
Investments held at fair value through profit or loss	10	51,846	112,108	51,846	112,108
Zero coupon finance derivatives at fair value	14	–	21,715	–	21,715
Subsidiary	11	–	–	5	5
		51,846	133,823	51,851	133,828
Current assets					
Trade and other receivables		–	298	–	298
Accrued income and prepayments		232	1,755	232	1,755
VAT recoverable on investment management fees		466	–	466	–
Interest due on recoverable VAT on investment management fees		72	–	72	–
AAA money market funds		–	6,338	–	6,338
Cash and short term deposits		1,896	10,730	1,896	10,730
Zero coupon finance derivatives at fair value	14	–	27	–	27
Total current assets	12	2,666	19,148	2,666	19,148
Total assets		54,512	152,971	54,517	152,976
Current liabilities					
Corporation tax payable		(223)	(392)	(223)	(435)
Trade and other payables		(297)	(459)	(484)	(640)
Zero coupon finance derivatives at fair value	14	–	(5,360)	–	(5,360)
Total current liabilities	13	(520)	(6,211)	(707)	(6,435)
Non-current liabilities					
Zero coupon finance derivatives at fair value	14	–	(78,717)	–	(78,717)
Total liabilities		(520)	(84,928)	(707)	(85,152)
Net assets		53,992	68,043	53,810	67,824
Issued capital and reserves attributable to equity holders of the parent					
Called-up share capital	15	30,486	30,486	30,486	30,486
Share premium account	16	53,204	53,204	53,204	53,204
Special reserve	17	4,658	4,658	4,658	4,658
Capital reserve	18	(37,243)	(24,257)	(37,243)	(24,257)
Revenue reserve	18	2,887	3,952	2,705	3,733
Equity shareholders' funds		53,992	68,043	53,810	67,824
Net asset value per Ordinary share (pence)	9	44.47	56.04		

The financial statements were approved by the Board of Directors and authorised for issue on 8 December 2009 and were signed on its behalf by:

R G Hanna
Chairman

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For year ended 30 September 2009

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2008	30,486	53,204	4,658	(24,257)	3,952	68,043
(Loss)/profit after tax	–	–	–	(12,986)	3,957	(9,029)
Equity dividends	–	–	–	–	(5,022)	(5,022)
Balance at 30 September 2009	30,486	53,204	4,658	(37,243)	2,887	53,992

For year ended 30 September 2008

Balance at 30 September 2007	30,486	53,205	5,000	22,767	3,619	115,077
(Loss)/profit after tax	–	–	–	(47,024)	6,790	(40,234)
Equity dividends	–	–	–	–	(6,457)	(6,457)
Share issue expense	–	(1)	–	–	–	(1)
Shares bought back	–	–	(342)	–	–	(342)
Balance at 30 September 2008	30,486	53,204	4,658	(24,257)	3,952	68,043

Company Statement of Changes in Equity

Year ended 30 September 2009

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2008	30,486	53,204	4,658	(24,257)	3,733	67,824
(Loss)/profit after tax	–	–	–	(12,986)	3,994	(8,992)
Equity dividends	–	–	–	–	(5,022)	(5,022)
Balance at 30 September 2009	30,486	53,204	4,658	(37,243)	2,705	53,810

For year ended 30 September 2008

Balance at 30 September 2007	30,486	53,205	5,000	22,767	3,375	114,833
(Loss)/profit after tax	–	–	–	(47,024)	6,815	(40,209)
Equity dividends	–	–	–	–	(6,457)	(6,457)
Share issue expense	–	(1)	–	–	–	(1)
Shares bought back	–	–	(342)	–	–	(342)
Balance at 30 September 2008	30,486	53,204	4,658	(24,257)	3,733	67,824

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The accompanying notes are an integral part of these financial statements.

Group and Company Cash Flow Statement

	Year ended 30 September 2009		Year ended 30 September 2008	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Investment income received	5,389		7,552	
Deposit interest received	334		547	
Dealing subsidiary receipts	–		673	
Other cash receipts	605		591	
Administrative expenses paid	(806)		(1,111)	
Cash generated from operations		5,522		8,252
Interest paid		(2)		(22)
Taxation		(753)		(625)
Net cash inflows from operating activities		4,767		7,605
Cash flows from investing activities				
Purchases of investments	(31,937)		(44,163)	
Sales of investments	84,434		60,710	
Zero coupon finance repaid	(67,396)		–	
Net cash (outflow)/inflow from investing activities		(14,899)		16,547
Net cash (outflow)/inflow before financing		(10,132)		24,152
Financing activities				
Proceeds of issue of shares	–		(1)	
Cost of share buy backs	–		(342)	
Dividends paid	(5,022)		(6,457)	
Net cash outflow from financing activities		(5,022)		(6,800)
Net cash (outflow)/inflow before management of liquid resources		(15,154)		17,352
Management of liquid resources				
Purchase of AAA money market funds	(1,141)		(18,843)	
Sale of AAA money market funds	7,479		12,505	
Net cash inflow/(outflow) from management of liquid resources		6,338		(6,338)
Net (decrease)/increase in cash and short term deposits		(8,816)		11,014
Cash and cash equivalents at the start of the year		10,730		(284)
Effect of foreign exchange rate changes		(18)		–
Cash and short term deposits at the end of the year		1,896		10,730

The accompanying notes are an integral part of these financial statements.

1. Accounting policies

(a) Basis of accounting

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

The principal accounting policies adopted are set out below. These policies have been applied consistently throughout the year. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in January 2009 and adopted early) is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. The early adoption of the January 2009 SORP had no effect on the financial statements of the Company, other than:

- the requirement to separately disclose capital reserves that relate to the revaluation of investments held at the reporting date. These are disclosed in note 10. This new requirement replaces the previous requirement to disclose the value of the capital reserve that was unrealised.
- the requirement to present tax reconciliations based on the total column of the Income Statement rather than the revenue column as was previously recommended. The reconciliation is disclosed in note 6.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under Section 833-834 of the Companies Act 2006, net capital returns may not be distributed by way of dividend. Additionally, the net revenue of the Company is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- Amendment to IAS 1 – Presentation of Financial Statements : comprehensive revision including requiring a statement of comprehensive income (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IAS 1 – Presentation of Financial Statements : a Revised Presentation relating to disclosure of puttable instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IAS 7 – Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010).
- Amendment to IAS 23 – Borrowing Costs: Amendment requiring that all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of the asset (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IAS 27 – Consolidated and Separate Financial Statements : consequential amendments arising to IFRS 3 (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IAS 32 – Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IAS 36 – Impairment of Assets : amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)
- Amendment to IAS 36 – Impairment of Assets : amendments resulting from April 2009 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2010).
- Amendment to IAS 39 – Financial Instruments : amendments for eligible hedged items (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IAS 39 – Financial Instruments : amendments for embedded derivatives when reclassifying financial instruments (effective for annual periods beginning on or after 30 June 2009).

Notes to the Financial Statements continued

- Amendment to IAS 39 – Financial Instruments : amendments resulting from April 2009 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2010).
- Revised IFRS 1 – First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2009).
- Revised IFRS 7 – Financial Instruments (effective for annual periods beginning on or after 1 January 2009).
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- Revised IFRS 8 – Operating Segments : amendments resulting from April 2009 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2010).

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Group's financial results in the period of initial application although there will be revised presentations to the Primary Financial Statements and additional disclosures. Any future business combinations will be affected. The Group intends to adopt the standards in the reporting period when they become effective.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The Company has availed itself of the relief from showing an Income Statement for the parent company, granted under Section 408 of the Companies Act 2006.

(c) Investments – Securities held at Fair Value

Investments are recognised or derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

The Group's investments are defined by IFRS as investments designated as fair value through profit or loss. All investments are designated upon initial recognition as held at fair value and are measured at subsequent reporting dates at their fair value, which is the bid price as at close of business on the Balance Sheet date.

Gains and losses arising from the changes in fair value are included in net profit or loss for the period as a capital item. Expenses which are incidental to the acquisition and disposal of investments are treated as capital costs.

(d) Investments held in dealing subsidiary

Investments held are shown as current assets at fair value. Gains and losses arising on these investments are dealt with in the revenue column of the Consolidated Income Statement. In respect of the Company the subsidiary is held at cost with any amounts owed to or from the subsidiary included in the relevant Balance Sheet heading.

(e) Zero coupon finance

The Company had in place medium-term funding in the form of zero coupon finance through a series of option transactions on the FTSE 100 Index. All of these were fully repaid during the year. The option contracts were accounted for as separate derivative contracts and therefore were shown on the Balance Sheet at their fair value. Changes in the fair value of the option contracts are charged or credited to capital and presented as a capital item in the Income Statement.

(f) Money market funds

The AAA money market funds are used by the Company to provide additional short term liquidity. As they are not listed on a recognised exchange and due to their short term nature, they are recognised in the financial statements at cost and as a current asset.

(g) Income

Dividend income from equity investments including preference shares which have a discretionary dividend is recognised when the shareholders' rights to receive payment has been established, normally the ex-dividend date.

Interest from debt securities is accounted for on an effective yield basis. Any write off of the premium or discount on acquisition as a result of using this basis is allocated as a revenue item in the Income Statement. Interest from deposits is dealt with on an accrual basis.

Traded option contracts are restricted to writing out of the money options with a view to generating income. Premiums received on traded option contracts are recognised as income evenly over the period from the date they are written to the date when they expire or are exercised or assigned. Gains and losses on the underlying shares acquired or disposed as a result of options exercised are included in the capital account.

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

(h) Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except those where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Accordingly the investment management fee and finance costs have been allocated 50% to revenue and 50% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

(i) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Finance charges, including premiums payable 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.

(j) Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

The allocation method used to calculate tax relief on expenses presented against capital returns is the 'marginal basis'. Under this basis if taxable income is not capable of being offset entirely by expenses presented in revenue then unutilised expenses arising in capital will be set against income with an amount based on current tax rates charged against income and credited to capital.

Deferred tax is provided in full on temporary 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. Temporary 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.

Notes to the Financial Statements continued

	2009 £'000	2008 £'000
2. Income		
Income from listed investments		
UK dividend income	2,548	4,540
Interest income from investments and overseas interest	1,371	2,502
Stock dividend	47	41
Underwriting income	41	17
	4,007	7,100
Other income from investment activity		
Deposit interest	242	451
AAA money market funds interest	43	145
Interest on recoverable VAT on management fees	72	–
Traded option premiums	506	673
Loss on sale of investments in dealing company	–	(26)
	863	1,243
Total income	4,870	8,343

In addition to the above which has been reported as revenue, there is £14,000 (2008 – £25,000) of income reported as capital. The amount received in 2009 was surplus rehypothecation fees, whilst the amount received in 2008 was an incentive payment for early instruction on a proposed amendment to the terms of a preference share holding.

3. Investment management fees

For the year ended 30 September 2009 investment management services were provided by Aberdeen Asset Managers Limited ('AAM') until 31 July 2009, at which point Troy Asset Management Limited ('Troy') took over as the Investment Manager. The investment management fee paid to both Troy and AAM was at an annual rate of 0.75%, calculated monthly and paid quarterly. The fee is allocated 50% to revenue and 50% to capital.

Note 21 provides further information on the current status of VAT charged on management fees.

	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee – AAM	139	139	278	351	351	702
Investment management fee – Troy	33	33	66	–	–	–
	172	172	344	351	351	702

	2009 £'000	2008 £'000
4. Administrative expenses		
Directors' remuneration – fees as Directors	62	61
Secretarial fees	19	–
Fees payable to auditors (excluding irrecoverable VAT):		
– fees payable to the Company's auditors for the audit of the annual accounts	17	17
Marketing contribution	35	75
Other management expenses ^A	278	134
	411	287

^A Includes non-recurring expenses of £112,500 (2008 – £nil).

Following the appointment of Troy, the Company continues to receive secretarial services from Aberdeen Asset Managers Limited ("AAM"), which is charged at a rate of £100,000 per annum exclusive of VAT. Prior to this period secretarial services had been provided by AAM as part of their role as the investment manager.

With the exception of the fees payable to the auditors, irrecoverable VAT has been included under the relevant expense line above. Irrecoverable VAT on fees payable to the auditors is included within other management expenses.

The Company had no employees during the year (2008 – nil). No pension contributions were paid for Directors (2008 – £nil). Further details on Directors' Remuneration can be found in the Directors Remuneration Report on page 25.

5. Finance costs and borrowings	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans and overdrafts repayable within one year	1	1	2	11	11	22

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

6. Taxation	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current corporation tax	533	12	545	904	(105)	799
Prior year adjustment	40	–	40	–	–	–
Irrecoverable overseas tax	6	–	6	–	–	–
	579	12	591	904	(105)	799

Due to the refund of VAT on management fees, previously accounted for in capital, taxable income exceeds expenses in capital. On that basis a current year charge of £12,000, being £43,000 at 28%, is allocated to capital.

At 30 September 2009, the Group had no surplus management expenses or non-trade debits (2008 – £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 28% (2008 – 29%):

	2009			2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit on ordinary activities before taxation	4,536	(12,974)	(8,438)	7,694	(47,129)	(39,435)
Taxation of return on ordinary activities at the standard rate of corporation tax	1,270	(3,633)	(2,363)	2,231	(13,667)	(11,436)
Effects of:						
UK dividend income not liable to further tax	(713)	–	(713)	(1,316)	–	(1,316)
Overseas dividend income not liable to further tax	(11)	–	(11)	–	–	–
Stock dividend not taxable	(13)	–	(13)	(11)	–	(11)
Capital losses not taxable	–	3,645	3,645	–	13,562	13,562
Overseas withholding tax suffered	6	–	6	–	–	–
Prior year adjustment	40	–	40	–	–	–
Current taxation charge/(credit) for the year	579	12	591	904	(105)	799

Notes to the Financial Statements continued

7. Profit attributable to Ordinary shareholders of the Company

The revenue profit attributable to equity holders of the Group for the financial year includes £3,994,000 (2008 – £6,815,000) which has been dealt with in the Company's financial statements.

8. Dividends on equity shares	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the year:		
Fifth interim dividend for the year ended 30 September 2007 of 1.8865p per share	–	2,300
Fourth interim dividend for the year ended 30 September 2008 of 1.8865p	2,290	–
Three interim dividends for the year ended 30 September 2009 totalling 2.25p (2008 – three interims totalling 3.414p) per share	2,732	4,157
	5,022	6,457

The fourth interim dividend of 0.75p per share, declared on 1 October 2009 and paid on 30 October 2009 has not been included as a liability in these financial statements.

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

	2009 £'000	2008 £'000
Three interim dividends for the year ended 30 September 2009 totalling 2.25p (2008 – 3.414p) per share	2,732	4,157
Fourth interim dividend for the year ended 30 September 2009 of 0.75p (2008 – 1.8865p) per share	911	2,290
	3,643	6,447

9. Return and net asset value per share

The returns per share are based on the following figures:

	2009 £'000	2008 £'000
Revenue return	3,957	6,790
Capital return	(12,986)	(47,024)
Total	(9,029)	(40,234)
Weighted average number of Ordinary shares	121,413,532	121,767,858

The net asset value per share is based on net assets attributable to shareholders of £53,992,000 (2008 – £68,043,000) and on 121,413,532 (2008 – 121,413,532) Ordinary shares in issue at the year end.

	Group & Company	
10. Non-current assets – Securities at fair value	2009 £'000	2008 £'000
Listed on recognised stock exchanges:		
United Kingdom	48,281	105,000
Overseas	3,565	7,108
	51,846	112,108

	Group & Company	
	2009 £'000	2008 £'000
Cost at 30 September 2008	135,042	160,041
Investment holdings (losses)/gains at 30 September 2008	(22,934)	11,374
Fair value at 30 September 2008	112,108	171,415
Purchases	31,826	44,274
Capital event	–	41
Effective yield adjustment	(3)	24
Sales – proceeds	(84,136)	(61,023)
– net losses on sales	(31,310)	(8,315)
Movement in fair value during the year	23,361	(34,308)
Valuation at 30 September 2009	51,846	112,108
Cost at 30 September 2009	51,419	135,042
Investment holdings gains/(losses) at 30 September 2009	427	(22,934)
Valuation at 30 September 2009	51,846	112,108

All investments are categorised as held at fair value through profit or loss, with the exception of the subsidiary, and were designated as such upon initial recognition. The subsidiary is held at cost.

For an analysis of investments between equity and fixed interest securities and for detailed interest rates, see pages 11 and 12. The total transaction costs on purchases was £128,000 (2008 – £192,000) and on sales £57,000 (2008 – £72,000).

Losses on investments held at fair value	Group & Company	
	2009 £'000	2008 £'000
Net losses on sales	(31,310)	(8,315)
Movement in investment holdings gains/(losses)	23,361	(34,308)
Movement in fair value of traded option contracts	(3)	(61)
	(7,952)	(42,684)

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

	Group & Company	
	2009 £'000	2008 £'000
Call options exercised	(38)	(134)
Put options assigned	(550)	(132)
	(588)	(266)

11. Subsidiary	Company	
	2009 £'000	2008 £'000
Shares at cost	5	5

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

Notes to the Financial Statements continued

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
12. Current assets				
Investment sales	–	298	–	298
Accrued income and prepayments	232	1,755	232	1,755
VAT recoverable on investment management fees	466	–	466	–
Interest due on recoverable VAT on investment management fees	72	–	72	–
Cash and cash equivalents	1,896	17,068	1,896	17,068
Zero coupon finance derivatives at fair value	–	27	–	27
	2,666	19,148	2,666	19,148

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
13. Current liabilities				
Investment purchases	–	111	–	111
Corporation tax	223	392	223	435
Other creditors	297	348	484	529
Zero coupon finance derivatives at fair value	–	5,360	–	5,360
	520	6,211	707	6,435

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

14. Zero coupon finance

The zero coupon finance arrangement comprised a set of separately traded financial instruments (FTSE 100 Index options) each with its own market value. The options ran until 2008, 2010 and 2011. All of these were fully repaid during the year. Set out below is a breakdown of the different options split between put and call options and assets and liabilities as disclosed in the Balance Sheet. The change in the net total market value of the options in each accounting period was treated as an unrealised loss and charged to the capital column of the Consolidated Income Statement.

As there was no outstanding positions at 30 September 2009 there is no collateral requirement. As at 30 September 2008, the Company had pledged collateral of 148% of the value of this finance, being £5.6 million cash and £87.2 million of securities.

	2009 £'000	2008 £'000
Fair value at 30 September 2009		
Non-current assets		
Call options expiring in January 2010	–	559
Call options expiring in April 2011	–	2,318
Put options expiring in January 2010	–	8,988
Put options expiring in April 2011	–	9,850
	–	21,715
Current assets		
Call option expiring in December 2008	–	24
Put option expiring in December 2008	–	3
	–	27

Non-current liabilities

Call options expiring in January 2010	–	(8,891)
Call options expiring in April 2011	–	(12,036)
Put options expiring in January 2010	–	(30,699)
Put options expiring in April 2011	–	(27,091)
	–	(78,717)

Current liabilities

Call option expiring in December 2008	–	(3,479)
Put option expiring in December 2008	–	(1,881)
	–	(5,360)
Net zero coupon finance liability – fair value	–	(62,335)

The movements in the fair value of this finance were as follows:

	Group and Company	
	2009 £'000	2008 £'000
At 30 September 2008	62,335	58,227
Cost of closure of existing zero coupon finance arrangements	(67,396)	–
Finance costs charged to capital	5,061	4,108
At 30 September 2009	–	62,335

15. Called-up share capital

	Ordinary shares of 25p each	
	Number	£'000
Authorised		
At 30 September 2009 & 30 September 2008	200,000,000	50,000
Allotted, called up and fully paid		
At 30 September 2009	121,413,532	30,354
Held in treasury	528,985	132
	121,942,517	30,486

During the year to 30 September 2009 there were no repurchases of Ordinary shares of 25p each by the Company. During the year to 30 September 2008 there were 528,985 Ordinary shares of 25p each repurchased by the Company at a total cost, including transaction costs of £342,000.

There were no shares placed in treasury during the year (2008 – 528,985). No shares were purchased for cancellation during the year. At the year end 528,985 (2008 – 528,985) shares were held in treasury, which represents 0.43% (2008 – 0.43%) of the Company's total issued share capital at 30 September 2009.

16. Share premium account

	2009 £'000	2008 £'000
At 30 September 2008 and 2007 respectively	53,204	53,205
Expenses of issue during year	–	(1)
At 30 September 2009 and 2008 respectively	53,204	53,204

Notes to the Financial Statements continued

	2009 £'000	2008 £'000
17. Special reserve		
At 30 September 2008 and 2007 respectively	4,658	5,000
Shares bought back during the year into treasury	–	(342)
At 30 September 2009 and 2008 respectively	4,658	4,658

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

	Group & Company	
	2009 £'000	2008 £'000
18. Analysis of retained earnings		
Capital reserve		
At 30 September 2008/2007 respectively	8,550	17,097
Net losses on sales of investments during the year	(31,310)	(8,315)
Finance costs of borrowings (note 5)	(1)	(11)
Tax (charges)/credit allocated to capital	(12)	105
Zero coupon finance costs	(14,937)	–
Incentive payment (see note 2)	–	25
Surplus rehypothication fees (see note 2)	14	–
Investment management fee	(172)	(351)
VAT recoverable on investment management fees	216	–
Currency losses	(18)	–
At 30 September 2009/2008 respectively	(37,670)	8,550
Investment holdings gains/(losses)		
At 30 September 2008/2007 respectively	(32,807)	5,670
Fixed asset investment gains/(losses)	23,361	(34,308)
Zero coupon finance costs	9,876	(4,108)
Movement in fair value of traded option contracts	(3)	(61)
	427	(32,807)
Total capital reserve	(37,243)	(24,257)

The zero coupon finance costs attributed to the capital reserve in the year (£14,937,000) represents the movement from the original cost of the instruments when the positions were taken out compared to their value on the dates when they were repaid or redeemed. The credit of £9,876,000 reflected in investment holdings gains represents the reversal of the holding loss shown at the last year end.

	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Revenue reserve				
At 30 September 2008/2007 respectively	3,952	3,733	3,619	3,375
Transfer to revenue account net of dividends	(1,065)	(1,028)	333	358
At 30 September 2009/2008 respectively	2,887	2,705	3,952	3,733

19. Risk management, financial assets and liabilities

Risk management

With effect from 17 September 2009, the Company's objective changed to that of providing shareholders with an attractive income yield and the prospect of income and capital growth through investing in a portfolio of predominately UK equities.

In pursuit of the Company's objective, the Company's investment policy is to invest in a portfolio of predominately UK equities. Equities are selected for their inclusion within the portfolio solely on the basis of the strength of the investment case with the focus being on long term income growth along with capital preservation.

Asset classes other than equities will be purchased from time to time and will vary as opportunities are identified and will include convertibles, preference shares, fixed income securities and corporate bonds. Investments will be made when prospective returns appear to be superior to those from equity markets or are considered likely to exceed the Company's borrowing costs. However, non-equity securities will not constitute the majority of the portfolio. The Company may also use derivatives for the purpose of efficient portfolio management (including reducing, transferring or eliminating investment risk in its investments and protection against currency risk), to exploit an investment opportunity and to achieve capital growth.

The management of the portfolio is conducted according to investment guidelines, established by the Board after discussion with the Manager, which specify the limits within which the Manager is authorised to act.

The Company's previous investment objective of providing a high and growing dividend with capital growth was addressed by investing primarily in UK equities to provide growth in capital and income and in fixed income securities to provide a high level of income. Additional revenue was generated from premiums earned by writing out of the money traded options against assets held in the portfolio and writing put options.

Financial assets and liabilities

The Group's financial assets include investments, cash at bank and short-term debtors. Financial liabilities consist of short-term creditors.

The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, foreign currency risk and other price risk), (ii) liquidity risk and (iii) credit risk.

(i) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, foreign currency risk and other price risk.

Interest rate risk

The Company is subject to interest rate risk because bond yields are linked to underlying bank rates or equivalents, and its 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.

Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings.

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 and borrowing decisions.

Notes to the Financial Statements continued

Interest rate profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the Balance Sheet date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non- interest bearing £'000
As at 30 September 2009					
Assets					
UK preference shares	–	8.95	1,975	–	–
Cash	–	–	–	1,896	–
Total assets	–	–	1,975	1,896	–
Liabilities					
Zero Coupon Finance	–	–	–	–	–
Total liabilities	–	–	–	–	–
As at 30 September 2008					
Assets					
Corporate Bonds	8.99	6.48	29,075	–	–
UK preference shares	–	8.65	9,941	–	–
Zero Coupon Finance	–	–	–	–	21,715
Cash	–	–	–	10,730	–
AAA money market funds	–	–	–	6,338	–
Total assets	–	–	39,016	17,068	21,715
Liabilities					
Zero Coupon Finance	–	–	–	–	(78,717)
Total liabilities	–	–	–	–	(78,717)

The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

The cash assets consist of cash deposits on call earning interest at prevailing market rates.

Short-term debtors and creditors (with the exception of loans) have been excluded from the above tables.

Zero Coupon Finance is measured at fair value and other financial liabilities at amortised cost.

Maturity profile

The maturity profile of the Company's financial assets and liabilities at the Balance Sheet date was as follows:

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
At 30 September 2009						
Fixed rate						
UK preference shares	–	–	–	–	–	1,975

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
Floating rate						
Cash	1,896	–	–	–	–	–
Total	1,896	–	–	–	–	1,975

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000
At 30 September 2008						
Fixed rate						
Corporate Bonds	2,501	3,715	1,383	3,439	1,820	16,217
UK preference shares	–	–	–	–	–	9,941
	2,501	3,715	1,383	3,439	1,820	26,158

Floating rate						
Zero coupon finance	(5,333)	(30,043)	(26,959)	–	–	–
Cash	10,730	–	–	–	–	–
AAA money market funds	6,338	–	–	–	–	–
	11,735	(30,043)	(26,959)	–	–	–
Total	14,236	(26,328)	(25,576)	3,439	1,820	26,158

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the Balance Sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's:

- profit before tax for the year ended 30 September 2009 would increase / decrease by £19,000 (2008 – £171,000) given the Company's exposure to interest rates on its floating rate cash balances. These figures have been calculated based on cash positions at each year end.
- profit before tax for the year ended 30 September 2009 would decrease /increase by £24,000 (2008 – decrease /increase by £525,000) given the Company's exposure to interest rates on its fixed interest securities. This is based on a Value at Risk ('VaR') calculated at a 99% confidence level.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives. The risk parameters used will also fluctuate depending on the current market perception.

Foreign currency risk

A proportion of the Company's investment portfolio is invested in overseas securities and the income and capital value can be affected by movements in exchange rates. Exchange gains or losses may arise as a result of the movement in the exchange rate between the date of the transaction denominated in a currency other than sterling and its settlement.

An analysis of the Group's currency exposure is detailed below:

	30 September 2009		30 September 2008	
	Overseas investments £'000	Net monetary assets £'000	Overseas investments £'000	Net monetary assets £'000
US Dollar	2,368	–	–	–
Swiss Franc	1,197	–	–	–
Total	3,565	–	–	–

Foreign currency sensitivity

There is no sensitivity analysis included, as the Group's foreign currency financial instruments are in the form of equity investments, which have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

Other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets to specific sectors and the stock selection process both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are all listed on recognised investment exchanges.

Other price sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders and equity reserves for the year ended 30 September 2009 would have increased/decreased by £4,963,000 (2008 – increase/decrease of £7,120,000). This is based on the Company's equity portfolio held at each year end.

(ii) Liquidity risk

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

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities.

(iii) Credit risk

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

The risk is not significant, and is managed as follows:

- where the Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
- investments in quoted bonds are made across a variety of industry sectors so as to avoid concentrations of credit risk;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review

of failed trade reports on a monthly basis. In addition, the Custodian carries out a stock reconciliation to third party administrators' records on a monthly basis to ensure discrepancies are picked up on a timely basis. The administrator's Compliance department carries out periodic reviews of the Custodian;

- transactions involving derivatives, structured notes and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest are subject to rigorous assessment by the Manager of the credit worthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board;
- cash and AAA money market funds are held only with reputable banks and financial institutions with high quality external credit enhancements.

None of the Company's financial assets is secured by collateral or other credit enhancements.

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 30 September 2009 was as follows:

	2009		2008	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	238	238	30,965	30,965
Zero coupon finance derivatives at fair value	–	–	21,715	21,715
Current assets				
Zero coupon finance derivatives at fair value	–	–	27	27
Trade and other receivables	–	–	298	298
Accrued income	232	232	1,755	1,755
Recoverable VAT on management fees and interest thereon	538	538	–	–
AAA money market funds	–	–	6,338	6,338
Cash and short term deposits	1,896	1,896	10,730	10,730
	2,904	2,904	71,828	71,828

None of the Company's financial assets is past due or impaired.

Fair value of financial assets and liabilities

The book value of cash at bank included in these financial statements approximates to fair value because of the short-term maturity. The carrying value of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For all other short-term debtors and creditors, their book values approximate to fair value because of their short-term maturity.

Gearing

The Group has in place a £3 million revolving credit facility with HSBC running to December 2009. The facility is renewed on an annual basis. The Group had no outstanding gearing at the year end. The profile of financing costs is managed as part of overall investment strategy. The employment of gearing magnifies the impact on net assets of both positive and negative changes in the value of the Group's portfolio of investments.

The Company has the ability to augment finance from time to time with short-term borrowings. The only covenant in relation to this borrowing facility is that the Company's net assets must exceed £20million. As at 30 September 2009 the net asset value was £54 million.

20. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Company's capital at 30 September comprised:

	2009 £'000	2008 £'000
Equity share capital	30,486	30,486
Retained earnings and other reserves	23,506	37,557
	53,992	68,043

The Board, with the assistance of the 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 account of the Manager's views on the market;
- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the need for new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company had no bank gearing at the year end (2008 – nil).

21. Commitments, contingencies and post Balance Sheet events

At 30 September 2009 there were no contingent liabilities in respect of outstanding underwriting commitments or uncalled capital (2008 – £nil).

Following the year end the Company has received a refund of £466,000 plus interest of £72,000, representing the proportion of VAT charged on investment management fees for the period 1 January 1990 to 31 December 2007 that was recoverable; this has been recognised in these financial statements and has been allocated to revenue and capital respectively, in accordance with the accounting policy of the Company for the periods in which the VAT was charged.

Glossary of Terms and Definitions

Benchmark

A market index, which averages the performance of companies in any given sector, giving a good indication of any rises or falls in the market. The benchmark used in these accounts is the FTSE All-Share Index, a recognised and respected index, which measures the performance of approximately 700 of the largest quoted UK companies, comprising 98% of the market capitalisation.

Convertibles

Fixed income securities, which can be converted into equity shares at a future date.

Corporate Bond

A fixed income bond issued by a company. Corporate bonds are given grades which show how likely a company is to repay the interest and capital owed at the end of the term. Investment grade bonds are considered to have a low risk of default which means any interest on the loan and the loan itself is almost certainly going to be paid back. Non-investment grade bonds are higher risk for investors as there is a chance the company issuing the bond may default.

Discount

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Gearing

Total gearing is the proportion of the Group's net assets financed by borrowings. Gearing is used to increase exposure to securities, with the aim of magnifying the impact on net assets of rises in the value of the portfolio, and to augment the investment base from which income is received. The use of gearing magnifies the impact of both negative and positive changes in the value of the Group's Net Asset Value. A level expressed as either 100% or 0% indicates there is no gearing.

Net Asset Value

The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Preference Shares

These entitle the holder to a fixed rate of dividend out of the profits of a company, to be paid in priority to other classes of shareholder.

Premium

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Total Assets

Total Assets less current liabilities

Total Expense Ratio

Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

Total Return

Total Return involves reinvesting the net dividend in the month that the share price goes up. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, e.g. quarter end, half year or year end date.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the twenty-first Annual General Meeting of the Members of Glasgow Income Trust plc (the "Company") will be held at the offices of Aberdeen Asset Managers Limited, 40 Princes Street, Edinburgh EH2 2BY on 14 January 2010 at 10.00 am to transact the following business:

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive the reports of the Directors and auditors and the audited financial statements for the year to 30 September 2009.
2. To receive the Directors' Remuneration Report for the year to 30 September 2009.
3. To re-elect Mr R. G. Hanna as a Director of the Company.
4. To re-elect Mr I. M. Boyd as a Director of the Company.
5. To re-elect Mr K. Hart as a Director of the Company.
6. To re-appoint Ernst & Young LLP as auditors of the Company.
7. To authorise the Directors to determine the remuneration of the auditors of the Company.
8. That the Company shall continue as an investment trust.
9. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("relevant securities") up to an aggregate nominal amount of £69,514,370.75, such authority to expire on 31 March 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, pass the following as special resolutions:

10. That, subject to the passing of resolution 9 in the notice convening the meeting at which this resolution is to be proposed (the "notice of meeting") and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 (1) of the Act) for cash pursuant to the authority under section 551 of the Act conferred by resolution 9 in the notice of meeting as if section 561 of the Act did not apply to any such allotment, provided that this power:
 - (i) expires on 31 March 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if that power had not expired; and
 - (ii) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £69,646,617.This power applies in relation to the sale of shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words "subject to the passing of resolution 9 in the notice convening the meeting at which this resolution is to be proposed ("the notice of meeting")" and "pursuant to the authority under section 551 of the Act conferred by resolution 9 in the notice of meeting" were omitted.
11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of section 693(4) of the Act) of fully paid Ordinary shares of 25p each in the capital of the Company ("shares") provided that:
 - (i) the maximum aggregate number of shares hereby authorised to be purchased is 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution (excluding treasury shares);
 - (ii) the minimum price which may be paid for a share shall be 25p (exclusive of expenses);
 - (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase and (ii)

the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and

- (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 March 2011 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

12. That the articles of association of the Company be amended by the insertion of the following new article as article 156:

"DURATION OF THE COMPANY

156 At the fifth annual general meeting of the Company following the annual general meeting of the Company held on 19 December 2008, and at five yearly annual general meetings thereafter, if applicable, the Directors shall procure that an ordinary resolution is proposed thereat to resolve that the Company should continue as an investment trust for the period of five years or more until the annual general meeting held five years after the passing of such resolution. In the event that such resolution is not passed, the directors shall convene a general meeting to be held within four months after such annual general meeting, and shall procure that a special resolution is proposed thereat to require the Company to be wound up voluntarily or to approve proposals which would result in the holders of shares of one or more classes receiving, in lieu of shares, units in a unit trust scheme."

13. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next annual general meeting of the Company.

By order of the Board
Aberdeen Asset Managers Limited
Secretary
8 December 2009

Registered office:
40 Princes Street
Edinburgh EH2 2BY

Notes:

- (i) A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. If a member wishes to appoint more than one proxy, they should contact the Company's Registrars on 0871 384 2501 (Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary). The Equiniti overseas helpline number is +44 121 415 7047.
- (ii) A form of proxy for use by members is enclosed with these accounts. Completion and return of the form of proxy will not prevent any member from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, at the address stated thereon, so as to be received not less than 48 hours (excluding non-working days) before the time of the meeting.
- (iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members at 6.00pm on 12 January 2010 (or, in the event that the Meeting is adjourned, at 6.00pm on the day which is two business days before the time of the adjourned meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.
- (iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (v) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications,

Notice of Annual General Meeting continued

and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

- (vi) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) 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 communications 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 member who holds the 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. The statement of the rights of members in relation to the appointment of proxies in notes i) and ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.
- (ix) No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and Scottish public holidays excepted) from the date of this notice and for at least 15 minutes prior to the Meeting and during the Meeting.
- (x) As at close of business on 4 December 2009 (being the latest practicable date prior to publication of this document), the Company's issued share capital (excluding treasury shares) comprised 121,413,532 Ordinary shares of 25p each. The total number of voting rights in the Company as at 4 December 2009 is 121,413,532.
- (xi) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
- (xii) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
- (xiii) The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditors' Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: the Company Secretary, Glasgow Income Trust plc, 40 Princes Street, Edinburgh EH2 2BY.
- (xiv) Information regarding the Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's website, www.glasgowincometrust.co.uk.
- (xv) Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the Meeting put by a member attending the Meeting unless:
 - a) answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
 - b) the answer has already been given on a website in the form of an answer to a question; or

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- c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
- (xvi) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- (xvii) There are special arrangements for holders of shares through the Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan, Investment Trust ISA and Investment Trust Pension. These are explained in the 'Letter of Direction' which such holders will have received with this report.

Corporate Information

Manager

Troy Asset Management Limited
Brookfield House
44 Davies Street
London
W1K 5JA

www.taml.co.uk

Secretary and Registered Office

Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Registration Number: 3106339

Auditors

Ernst & Young LLP

Solicitors

Dickson Minto W.S.

Bankers

HSBC Bank Plc

Company Registration Number

111955 (Scotland)

Registrars and Transfer Office

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone 0871 384 2030

Calls to this number from a BT landline are charged at 8p per minute. Other telephony providers' costs may vary.

