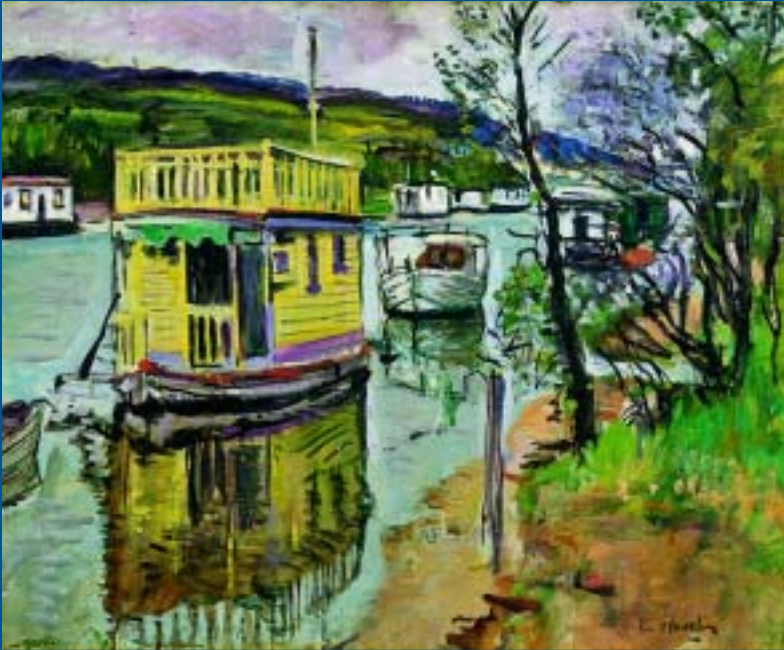


Glasgow Income Trust plc



INTERIM REPORT
31 MARCH 2003

MANAGED BY

GLASGOW
INVESTMENT MANAGERS

Contents

Objective	1
Financial Highlights	1
Performance	1
Chairman's Statement	2
Consolidated Statement of Total Return	4
Group Balance Sheet	6
Consolidated Cash Flow Statement	7
Analysis of Changes in Net Debt	7
Analysis of Equity Portfolio	8
Portfolio of Investments	8
Distribution of Assets	9

The painting on the front cover is 'Houseboats, Loch Lomond'

by G Leslie Hunter (1877-1931).

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Objective

The principal objective of the Company is to provide shareholders with a high level of income and to obtain growth in both income and capital over the longer term.

Financial Highlights

	As at 31 March 2003	As at 30 September 2002	% change
Total assets less current liabilities	£30.75m	£31.66m	-2.9
Shareholders' funds	£17.82m	£19.14m	-6.9
Net asset value per share	48.14p	51.70p	-6.9
Share price	50.00p	57.25p	-12.7
Premium (share price to net asset value)	3.9%	10.7%	
Dividends per share	2.06p	2.06p*	

* Half year to 31 March 2002.

Performance

(periods to 31 March 2003)

	6 months %	1 year %	3 years %	5 years %
Glasgow Income Trust plc				
- Share price total return	-9.1▲	-35.9†	-6.0‡	-13.6‡
- Net asset value total return	-2.9▲	-34.8†	-23.0‡	-17.9‡
FTSE All-Share Index (Benchmark)‡	-1.9	-29.8	-39.4	-28.8

	As at 31 March 2003	As at 30 September 2002
Net dividend yield		
Glasgow Income Trust plc▲	9.7%●	8.5%
FTSE All-Share Index (Benchmark)‡	3.9%	3.7%

▲ Source: Glasgow Investment Managers Limited.

† Source: Fundamental Data for the Association of Investment Trust Companies.

‡ Source: Datastream.

● Based on share price and last four quarterly net dividends.

Chairman's Statement

Background

The half year to 31 March 2003 witnessed extreme volatility in the world's stockmarkets as concern grew that declines in investor, business and consumer confidence in response to the growing prospect of war in Iraq would undermine the economic recovery forecast to develop this year and next. The small negative return, -1.9%, on the Company's benchmark, the FTSE All-Share Index, masked major moves in equity prices during the period. The Index rose by 11.2% in October and November 2002 only to fall by 14.0% in January and February 2003.

Investment Returns

Against this turbulent background the total return on net assets was -2.9%. The return on the portfolio of ordinary shares was -1.9%, in line with benchmark, and on fixed income securities 4.1%. Although the geared exposure to equities was reduced during the period, it depressed the overall result.

The total return to a shareholder, at -9.1%, was lower than the return on net assets, reflecting a fall in the premium at which the share price stands to net asset value per share, from 10.7% at 30 September 2002 to 3.9% at 31 March 2003.

Dividends

The Board has declared a second interim dividend of 1.03p per share, to be paid on 29 August 2003 to shareholders on the register at close of business on 1 August 2003. A first interim dividend of 1.03p has been declared for payment on 30 May 2003. Dividends declared to date in 2003 thus total 2.06p per share, the same level as paid last year.

Portfolio Profile and Gearing

Net sales of £3.6 million of ordinary share investments helped reduce equity gearing from 20.0% of net assets at 30 September 2002 to 4.4% at 31 March 2003. Over the same period total gearing fell from 81.8% to 61.9%. The latter figure includes 57.5% in corporate fixed interest and convertible securities of relatively low volatility which contribute a large proportion of the income which the company distributes.

Chairman's Statement

(Continued)

Outlook

Although consensus forecasts have consistently indicated that aggregate output will grow progressively faster in 2003 and 2004, stockmarket sentiment has been dominated by worries about the impact of military action in Iraq. With that conflict now effectively at an end, recent OECD forecasts suggest that lower oil prices, the stimulus provided by growing public sector expenditure and continuing low interest rates will begin to encourage a general recovery in confidence and business activity. Ordinary share prices, which are lowly rated on historical comparisons, should rise when investors allow a longer term perspective to replace short-term concerns.



R G Hanna
Chairman

Consolidated Statement of Total Return

(incorporating the Revenue Account)
for the half year ended 31 March 2003

	Half year to 31 March 2003		
	Revenue £000	Capital £000	Total £000
(Losses)/Gains on investments	–	(1,148)	(1,148)
Dividends and interest receivable	887	–	887
Underwriting commission	–	–	–
Profits less losses of dealing subsidiary	(9)	–	(9)
Traded option premiums	27	–	27
Investment management fee	(43)	(43)	(86)
Other administrative expenses	<u>(100)</u>	<u>–</u>	<u>(100)</u>
Net return before finance costs and taxation	762	(1,191)	(429)
Finance costs of borrowings	<u>(17)</u>	<u>(17)</u>	<u>(34)</u>
Return on ordinary activities before taxation	745	(1,208)	(463)
Taxation	<u>(107)</u>	<u>15</u>	<u>(92)</u>
Return on ordinary activities after taxation for the period	638	(1,193)	(555)
Dividends on equity shares	<u>(763)</u>	<u>–</u>	<u>(763)</u>
Transfer (from)/to reserves	<u>(125)</u>	<u>(1,193)</u>	<u>(1,318)</u>
Return per share	1.72p	(3.22)p	(1.50)p
Dividends per share	2.06p		

Note: These are not statutory accounts under section 240 of the Companies Act 1985 and are unaudited. The information relating to the group balance sheet as at 30 September 2002 is an extract from the latest audited accounts which have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Consolidated Statement of Total Return

(Continued)

Half year to 31 March 2002 (unaudited)			Year to 30 September 2002 (audited)		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
–	4,464	4,464	–	(5,694)	(5,694)
869	–	869	1,967	–	1,967
–	–	–	3	–	3
15	–	15	(29)	–	(29)
–	–	–	297	–	297
(52)	(52)	(104)	(108)	(108)	(216)
<u>(70)</u>	<u>–</u>	<u>(70)</u>	<u>(170)</u>	<u>–</u>	<u>(170)</u>
762	4,412	5,174	1,960	(5,802)	(3,842)
<u>(21)</u>	<u>(21)</u>	<u>(42)</u>	<u>(71)</u>	<u>(71)</u>	<u>(142)</u>
741	4,391	5,132	1,889	(5,873)	(3,984)
<u>(102)</u>	<u>49</u>	<u>(53)</u>	<u>(207)</u>	<u>104</u>	<u>(103)</u>
639	4,440	5,079	1,682	(5,769)	(4,087)
<u>(744)</u>	<u>–</u>	<u>(744)</u>	<u>(1,777)</u>	<u>–</u>	<u>(1,777)</u>
<u>(105)</u>	<u>4,440</u>	<u>4,335</u>	<u>(95)</u>	<u>(5,769)</u>	<u>(5,864)</u>
1.95p	13.52p	15.47p	4.92p	(16.88)p	(11.96)p
2.06p			4.85p		

Group Balance Sheet

as at 31 March 2003

	31 March 2003 (unaudited) £000	31 March 2002 (unaudited) £000	30 September 2002 (audited) £000
Fixed assets			
Listed investments			
Ordinary shares	18,612	31,502	22,964
Convertibles	1,419	2,358	2,043
Corporate bonds	<u>8,814</u>	<u>9,551</u>	<u>9,786</u>
	28,845	43,411	34,793
Current assets			
Debtors	454	799	1,949
Investments of dealing subsidiary undertaking	119	–	128
Cash at bank and in hand	<u>2,383</u>	<u>150</u>	<u>–</u>
	2,956	949	2,077
Creditors: amounts falling due within one year	<u>(1,052)</u>	<u>(4,681)</u>	<u>(5,208)</u>
Net current assets/(liabilities)	<u>1,904</u>	<u>(3,732)</u>	<u>(3,131)</u>
Total assets less current liabilities	30,749	39,679	31,662
Creditors: amounts falling due after more than one year			
Zero coupon finance	<u>(12,930)</u>	<u>(11,766)</u>	<u>(12,525)</u>
Net assets	<u>17,819</u>	<u>27,913</u>	<u>19,137</u>
Capital and reserves			
Called up share capital	9,254	8,641	9,254
Share premium account	4,837	4,027	4,837
Special reserve	5,000	5,000	5,000
Realised capital reserve	4,300	7,348	6,604
Unrealised capital reserve	<u>(6,362)</u>	1,992	<u>(7,473)</u>
Revenue reserve	<u>790</u>	<u>905</u>	<u>915</u>
Equity shareholders' funds	<u>17,819</u>	<u>27,913</u>	<u>19,137</u>
Net asset value per share	48.14p	80.75p	51.70p

Consolidated Cash Flow Statement

for the half year ended 31 March 2003

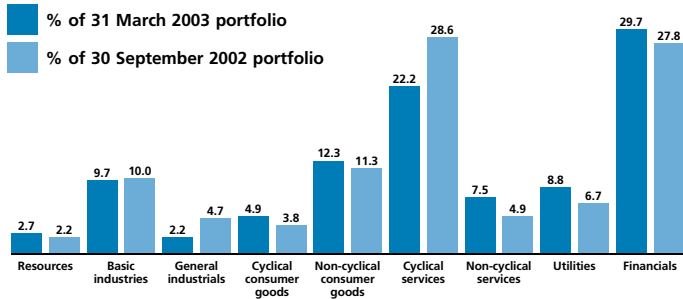
	Half year to 31 March 2003 (unaudited) £000	Half year to 31 March 2002 (unaudited) £000	Year to 30 September 2002 (audited) £000
Net cash inflow from operating activities	770	608	1,727
Servicing of Finance			
Interest paid	(62)	(37)	(121)
Investing Activities			
Purchases of investments	(2,392)	(11,619)	(19,045)
Sales of investments	7,596	9,481	16,100
	5,204	(2,138)	(2,945)
Equity dividends paid	(1,033)	(914)	(1,626)
Net cash inflow/(outflow) before financing	4,879	(2,481)	(2,965)
Financing			
Issues of shares (see note)	1,427	1,500	1,496
Debt due within one year			
– (decrease)/increase in short-term borrowings	(3,000)	2,000	2,000
	(1,573)	3,500	3,496
Increase in cash	3,306	1,019	531

Note: There were no share issues during the period. The £1,427,000 shown as proceeds of share issues during the period relates to an issue made on 26 September 2002, the proceeds of which were not received until 2 October 2002.

Analysis of Changes in Net Debt

	At 30 September 2002 £000	Cash flows £000	Other non- cash changes £000	At 31 March 2003 £000
Cash at bank and in hand	–	2,383	–	2,383
Bank overdrafts	(923)	923	–	–
Short-term borrowings	(3,000)	3,000	–	–
Zero coupon finance	(12,525)	–	(405)	(12,930)
	(16,448)	6,306	(405)	(10,547)

Analysis of Equity Portfolio



The equity portfolio is wholly invested in the United Kingdom.

Portfolio of Investments

as at 31 March 2003

	Market value £000	% of total assets		Market value £000	% of total assets
Ordinary shares			BT	280	0.9
Pendragon	983	3.2	Other (5)	912	3.0
Gallaher	915	3.0		<u>18,612</u>	<u>60.5</u>
Thistle Hotels	870	2.8	Convertibles		
Bradford & Bingley	850	2.8	Balfour Beatty 10.75% pref	612	2.0
Intermediate Capital	841	2.7	Northern Foods 6.75%	295	1.0
Scottish Power	752	2.4	Other (2)	512	1.6
Man Group	729	2.4		<u>1,419</u>	<u>4.6</u>
Lloyds TSB	725	2.4	Corporate bonds		
Liberty International	718	2.3	Bank of Scotland 8.117% 2010	1,723	5.6
REXAM	706	2.3	Anglian Water 6.7525% 2037	1,095	3.6
HSBC	680	2.2	BOC Group 6.5% 2016	1,076	3.5
Safeway	652	2.1	Woolworths 8.75% 2006	1,020	3.3
Scottish & Southern Energy	636	2.1	Northumbrian Water 6% 2017	1,013	3.3
British Sky Broadcasting	627	2.0	Hilton Group 7.25% 2008	1,000	3.2
Vodafone	565	1.8	National Westminster 7.625% (2010)	572	1.9
Provident Financial	554	1.8	Store Finance 6.5% 2007	520	1.7
BG	535	1.7	Scottish Mutual 7.25% 2021	405	1.3
Aviva	528	1.7	Luxfer 10.125% 2004/09	390	1.3
Kingfisher	502	1.6		<u>8,814</u>	<u>28.7</u>
Wolverhampton & Dudley Breweries	492	1.6		28,845	93.8
Dairy Crest	458	1.5	Net current assets	1,904	6.2
Intercare	452	1.5	Total assets	<u>30,749</u>	<u>100.0</u>
FKI	448	1.5			
RAC	424	1.4			
McCarthy & Stone	416	1.4			
United Utilities	374	1.2			
Balfour Beatty	367	1.2			
Scottish & Newcastle	339	1.1			
Persimmon	282	0.9			

Distribution of Assets

	Valuation at 30 September 2002 (audited)		Purchases £000	Sales £000	Appreciation £000	Valuation at 31 March 2003 (unaudited)	
	£000	%				£000	%
Listed investments							
Ordinary shares	22,964	120.0	867	(4,467)	(752)	18,612	104.4
Convertibles	2,043	10.7	–	(555)	(69)	1,419	8.0
Corporate bonds	9,786	51.1	1,525	(2,574)	77	8,814	49.5
	<u>34,793</u>	<u>181.8</u>	<u>2,392</u>	<u>(7,596)</u>	<u>(744)</u>	<u>28,845</u>	<u>161.9</u>
Net current (liabilities)/ assets	(3,131)	(16.4)				1,904	10.7
Total assets less current liabilities	31,662	165.4				30,749	172.6
Zero coupon finance	(12,525)	(65.4)				(12,930)	(72.6)
Net assets	<u>19,137</u>	<u>100.0</u>				<u>17,819</u>	<u>100.0</u>
Net asset value per share	51.70p					48.14p	

The Glasgow TrustPlan

The Glasgow TrustPlan is an investment trust savings scheme which provides private investors with a simple and economical method of investing directly in Glasgow Income Trust plc, Shires Income plc and Shires Smaller Companies plc, the three investment trusts managed by Glasgow Investment Managers Limited.

The Glasgow TrustPlan allows investors to save in the following ways:

- regular monthly contributions – minimum £20 per month
- occasional lump sum payments – minimum £200
- reinvestment of dividends from participating investment trusts.

For further information contact Glasgow Investment Managers on FREEPHONE 0800 435 797.

Glasgow Investment Managers Limited

(Authorised and regulated by the Financial Services Authority)

Glasgow Investment Managers, the company which manages Glasgow Income Trust plc, is principally owned by its directors and staff with an investment trust (Shires Income plc) holding the remaining interest.

Glasgow Investment Managers also manages:

- Shires Income plc
- Shires Smaller Companies plc
- Glasgow Integrated Pension Scheme Investments Exempt Fund (GIPSI)
- GIPSI UK Equity Exempt Fund
- GIPSI Reserve Exempt Fund

and investment portfolios for a friendly society, pension funds and charities.

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Investment Trusts have the facility to borrow which, if used, should enhance net asset value when the value of the Company's investments is rising, but will have the opposite effect when the value of the Company's investments is falling. High income investments, in order to meet their income objectives, may charge expenses to capital which in turn may erode the capital value of the investment to less than the amount invested. Investment Trusts that invest in the securities of smaller companies are likely to carry a higher degree of risk than most Trusts.

In certain circumstances, the Manager may enter into derivatives transactions in order to manage risk in the portfolio and generate income. The market in these instruments can be highly volatile and there is a high risk of loss. Derivatives may only be used subject to the restrictions set out for the Trust.

The favourable tax treatment of PEPs and ISAs are subject to government legislation, and as such, may be changed. The value of tax relief will depend upon your individual circumstances.

GLASGOW

INVESTMENT MANAGERS

Authorised and regulated by the Financial Services Authority

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