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Glasgow Income Trust plc

Annual Report and Accounts
30 September 2008

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Financial Highlights

	2008	2007
Net asset value total return	**– 36.6%**	+ 7.4%
Share price total return	**– 37.8%**	– 1.0%
Benchmark total return	**– 22.3%**	+ 12.2%
Dividend per share	**5.3005p**	5.2015p
Dividend yield	**10.0%**	5.7%

Financial Calendar

19 December 2008	Annual General Meeting
31 January 2009	First interim dividend 2008/2009 payable
30 April 2009	Second interim dividend 2008/2009 payable
May 2009	Interim results announced
May 2009	Interim Report published
31 July 2009	Third interim dividend 2008/2009 payable
31 October 2009	Fourth interim dividend 2008/2009 payable

Corporate Summary

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.

Benchmark
FTSE All-Share Index (Total Return).

Investment policy
The Company invests in equities, bonds and preference shares. Investment in corporate bonds and preference shares is primarily to enhance the income generation of the Company. The investment risk within the portfolio is managed by investing in different categories of investments and by the Manager adhering to various guidelines set by the Board which are detailed on page 17 of the Directors' Report.

Gearing in the form of zero coupon finance is used with the intention of enhancing long-term returns.

Capital Structure
The Company's issued share capital as at 30 September 2008 consisted of 121,413,532 Ordinary shares of 25p and 528,985 Ordinary shares held in Treasury. As at 4 November 2008 these figures are unchanged. Additional investment in the portfolio is provided by the FTSE option finance arrangement undertaken by the Company and referred to as zero coupon finance.

Dividends
Dividends on the Ordinary shares are payable quarterly at the end of January, April, July and October.

Continuation Vote
The Company's Articles of Association oblige the Board to put to shareholders, at this year's AGM and each fifth AGM thereafter, an ordinary resolution to resolve that the Company should continue as an investment trust. As noted in the Chairman's Statement, if the continuation vote is passed at this year's AGM, the Directors have undertaken to put to shareholders, at or prior to the next AGM, another continuation vote.

Management Company and Fee
Aberdeen Asset Managers Limited ("Aberdeen" or "the Manager") acts as Manager to the Company under a management contract which is terminable by one year's notice on either side. The fee is at a rate of 0.75% of shareholders' funds.

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, maintains 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

Websites
www.glasgowincometrust.co.uk
www.aberdeen-asset.com

Chairman's Statement

R G Hanna
Chairman

Financial Highlights

Shareholders will be well aware of the continuing extremely difficult financial and economic environment. The twelve months to 30 September 2008 covered a period of extraordinary events in financial markets. Famous investment banks disappeared from Wall Street, banks were nationalised and, globally, governments and central banks had to rescue the banking system. Comparisons have been drawn to previous recessions in the early 80s and 90s or to the banking and oil price crisis of the mid 1970s.

The UK stock market fell by 25.1% in the year under review and 30% from the peak in October 2007. These numbers alone cannot convey the scale of the volatility and uncertainty which has assailed both equity and corporate bond investors during the year.

After the publication of the Company's interim results, news-flow and sentiment worsened and this has had a detrimental impact on the value of the Company's assets. As the Company has a geared structure, the impact of falling markets has been exacerbated in net asset value terms. However, the dividend generation of the portfolio held up during the period.

Performance

I am sorry to report a very disappointing year for performance. Asset allocation, including our exposure to smaller companies, and stock selection were the main contributors to the problem, but gearing exacerbated it. Steps were taken during the year to reduce the impact of gearing but this proved difficult in the prevailing conditions. The volatility has not been confined to equities, with corporate bonds and preference shares also producing negative returns. For the year to end September, the total return on net assets was -36.6% compared with the FTSE All- Share index total return of -22.3%. Over the same period, the share price total return was -37.8%.

Portfolio Profile and Gearing

The distribution of assets shows that 104.6% of net assets were invested in equities at 30 September 2008, a small reduction from the position as at 30 September 2007. Falling asset values resulted in total gearing at the period end rising from 149% to 164.7%. The Company has maintained its zero coupon finance but has raised cash levels within the portfolio as it has been obliged to increase the proportion of the Company's assets pledged as collateral in support of this form of finance. The Company now has cash lodged, in addition to bonds and equities. Current assets had risen to 28% at the period end. We anticipate paying down the December 2008 ZCF tranche at its maturity cost of approximately £5.4 million.

AIC/JP Morgan Claverhouse VAT Test Case

We are making progress in our discussions with the Manager and believe we will shortly be in a position to recognise an asset in respect of the VAT which has been charged since 2001.

Dividends

As we reported at the interim results, the revenue account remained healthy and this enabled the Board to increase the first three interim dividend payments by 3% from 3.315p to 3.414p in total. The fourth and final dividend, which was paid on 31 October 2008, was maintained at 1.8865p per share. Taken together, the total annual distribution was 5.3005p per share, an increase of 1.9% over last year. Based on the share price as at 30 September 2008, the dividend yield was 10%, significantly higher than the yield on the benchmark of 4.6% as at that date.

The Manager monitors the revenue account closely and adjusts forecasts to reflect the most up to date information on dividends from investee companies. Shareholders will be aware that there is considerable uncertainty in particular over dividend payments from UK Banks, an important source of revenue for many equity income trusts. Additionally, as the economy moves into recession, dividend cuts are likely to affect a greater number of sectors. The Board is aware of how important the yield is to shareholders and is closely monitoring the situation. However, it is also very important to be prudent about the level of payout given the deteriorating economic environment and the Company's geared structure.

At this early stage of the current financial year, the Board anticipates being in a position to pay first and second interim dividends of at least 0.75p per share (1.138pps – 2008) for the year ending 30 September 2009, subject to market conditions and in the absence of unforeseen circumstances. The quantum of the third and fourth dividends for the current year will be dependent on the dividends of investee companies and, probably of more significance, the longer term strategy and gearing of the Company, to which we refer below.

Chairman's Statement continued

Future of the Company

As noted above, recent market volatility and recession in the UK have significantly eroded the Company's net assets and reduced the prospects for corporate earnings in the Company's portfolio. In addition, market volatility has significantly increased the structural risk of the Company's zero coupon financing. There is therefore significant uncertainty as to the ability of the Company to maintain its current dividend or the Company's financing in its current form after the current financing obligations have expired. As noted within the Directors' Report and in note 1 to the accounts, the Board is satisfied that the going concern basis of accounting continues to be appropriate.

The Company's Articles of Association oblige the Board to put to shareholders, at this year's AGM and each fifth AGM thereafter, an ordinary resolution to resolve that the Company should continue as an investment trust. In the event that such resolution is not passed, the Directors are obliged to convene an extraordinary general meeting to be held within four months after the AGM at which a special resolution is to be proposed to require the Company to be wound up voluntarily or to approve a unitisation of the Company.

However, the Board is of the view that liquidating the Company's portfolio and repaying the zero coupon finance early in the current market environment, would be detrimental to shareholders.

The Directors are of the view that it is in shareholders' best interests to reconsider the future of the Company once the wider economic situation becomes clearer and current market volatility has eased. They will continue to consult with advisors with the objective of developing a suitable and sustainable strategy for the longer term.

The Directors, who have been so advised by Dickson Minto W.S. consider that Resolution 7 to be proposed at the Annual General Meeting is in the best interests of shareholders as a whole and are therefore unanimously recommending that shareholders vote in favour of the continuation vote at this year's AGM but with the important commitment that, if the continuation vote is passed at this year's AGM, the Directors undertake to put to shareholders, at or prior to the next AGM, an ordinary resolution to approve the continuation of the Company as an investment trust. If this continuation vote is not passed, the Directors will convene an extraordinary 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 will provide shareholders with an opportunity to realise their investment.

Outlook

Since the year end, stock market volatility has remained high and in October, the FTSE All-Share index declined by a further 12%. However, the month featured important government and central bank initiatives including the part nationalisation of leading British banks and a cut in UK interest rates of 0.5% to 4.5%. The more encouraging sign for investors is that the LIBOR rate has started to decline as confidence slowly returns to the banking system.

The impact of the financial crisis is now hitting the real economy and is evident in slower consumer spending, higher unemployment and contracting activity in the manufacturing sector. Consensus UK forecasts for GDP in 2009 are around 0.5% but the reality is that the economy has already entered recession. As a result, we expect an increasing number of profits downgrades and dividend cuts from the corporate sector over the next few months. To an extent, the stock market has already corrected to a level that discounts a lot of the forthcoming troubles. On the positive side, November witnessed a deep cut in UK interest rates by another 1.5% to 3.0% and easing inflationary pressures will help hard pressed consumers and companies.

At times like these, it is vital to remain focused on the most important task of investing in companies which are well managed with sustainable businesses and strong balance sheets. Meanwhile, the Board and its advisors will continue to address the development of an appropriate longer term strategy for the Company.

R G Hanna
Chairman
18 November 2008

Manager's Review

Economic and Stock Market Background

The twelve months to 30 September 2008 was a period of unprecedented financial turmoil which started in the US sub prime mortgage market in 2007 and spread out causing a global banking crisis. The problems unfolded relatively slowly at the start, with asset write downs at major banks, but accelerated in 2008 with the loss of some of Wall Street's most famous investment firms and US$700bn of emergency funding for the US banking system.

In the UK, the first casualty to succumb to financial difficulties was Northern Rock. Since then Bradford & Bingley has been part-nationalised, HBOS is in merger negotiations with Lloyds TSB and Alliance & Leicester has been acquired by Santander. Since the Company's year end, various rescue packages are being implemented by governments and central banks to shore up the financial system and help markets to repair themselves.

In the year to 30 September 2008, after five years of positive returns, the FTSE All-Share index fell by 22.3% on a total return basis with the conditions even harder for smaller companies. Over the same period, the FTSE Small Cap index (ex investment trusts) declined by 38.4% in total return terms. Even UK corporate bonds recorded a negative total return of -7.5%. The only asset classes which delivered positive returns were UK government bonds, up 6.8% and cash at 5.5%.

Portfolio Strategy

During the year, the Manager substantially reorganised the equity portfolio, selling the smaller, less liquid holdings and those companies with leveraged balance sheets. At the same time, the cash balance was increased to reduce overall gearing and meet higher collateral requirements. Part of the cash balance will be used in December to redeem £5.4m of the zero coupon finance which matures that month.

Equity Portfolio

During the period under review, the equity portfolio underperformed its benchmark with a total return of -29.4%. The underperformance versus the FTSE All-Share index was caused by overweight positions in some consumer facing sectors and stocks. As a number of these investments were also in smaller companies, which fared worse than their FTSE100 peers, the impact on performance was greater.

During the year, investments in the Oil & Gas and Mining sectors were reduced following a period of buoyant energy and commodity price inflation. In addition, two of the holdings in Oil Services, Abbot Group and Expro International, were the subjects of cash bids during the year. In their place, a new holding of Amec, the oil engineering and services group, was introduced. Overall, these transactions reduced the exposure to Oil & Gas from 14.0% to 9.5% and in Basic Materials from 10.9% to 3.7%.

The developing credit crisis took its greatest toll on the Financials sectors. The portfolio started the year with an overweight position in Financials compared to the index but within that the portfolio was underweight to Banks. During the year, we reduced this exposure further with the sale of Alliance & Leicester and HBOS. However, we took up the rights in Royal Bank of Scotland. Investments in Life Insurance decreased following a cash bid from Pearl Assurance for our holding in Resolution. In Real Estate, the holding in AIM listed Puma Brandenburg was sold. The only area where investments were increased was General Financials, where in addition to taking up our rights in Intermediate Capital, a new holding was established in Close Brothers, a group that includes specialist lending, asset management and Winterflood Securities among its activities.

Outside of Financials, the credit crisis hit the house builders, housing related activities and the retailers. The weakness in these sectors created opportunities to make some changes and invest selectively on historically low valuations. We added a new holding in Wolseley, the builders' merchant with operations in the UK, US and Europe. In General Retailers, DSG, Pendragon and Topps Tiles were sold and new investments made in better quality retailers, Mothercare and Marks & Spencer. A holding was also initiated in Tesco, the UK's premier Food Retailer.

The Travel & Leisure sector was also impacted by the credit crisis and declined by 35% over the year under review. In particular, the demise of large private equity deals adversely affected companies with property assets and consequently, we sold Enterprise Inns and Intercontinental Hotels. In their place, two new holdings were started in Whitbread and Millennium & Copthorne Hotels.

In previous years, the Company had no exposure to pharmaceuticals but during the recent market setback, we were able to add a new holding in AstraZeneca. Telecoms investments were increased from very underweight, at only 0.9% of the portfolio to 4.6%, by reinstating holdings in Vodafone and BT on significantly better dividend yields and lower valuations. Some additions were also made to investments in the Utility sectors which offer more recession resistant earnings and dividends.

Manager's Review continued

Preference Shares and Corporate Bonds

The preference share market tends to be dominated by issues from financial companies and as it is also quite a small market, the limited liquidity exacerbated negative sentiment. Over the twelve months to 30 September 2008, the Company's preference share holdings made a total return of -6.5%. There were no changes to the holdings during the year. Conditions in the preference market are beginning to improve and progress should follow the recovery in credit markets although it is likely to be a gradual process.

For the year under review, the total return on the corporate bond portfolio was -10% compared to the return on the iBoxx Sterling Corporates index of -7.5%. The negative return reflected the difficult conditions in UK credit markets, particularly for holdings exposed to the banking sector. During the year, we sold holdings in consumer facing businesses such as Next 5.25% 2013 and Carnival 7.125% 2012 and reinvested in better quality issues such as Deutsche Telecom 7.125% 2012. The holding in Ford Credit Canada was redeemed in December 2007. The corporate bond portfolio is an important source of revenue generation and is also used as part of the collateral to back the Company's zero coupon finance.

Aberdeen Asset Managers Limited
18 November 2008

Results

Financial Highlights

	30 September 2008	30 September 2007	% change
Total investments	£112,108,000	£171,415,000	(34.6)
Shareholders' funds	£68,043,000	£115,077,000	(40.9)
Market capitalisation	£64,349,000	£111,577,000	(42.3)
Net asset value per share	56.04p	94.37p	(40.6)
Share price (mid market)	53.00p	91.50p	(42.1)
Discount to adjusted NAV[A]	1.6%	1.1%	
Total gearing	64.7%	49.0%	
Equity gearing	4.6%	6.3%	
Total expense ratio	1.5%	1.2%	
Dividends and earnings			
Revenue return per share[B]	5.58p	5.43p	2.7
Dividends per share[C]	5.3005p	5.2015p	1.9
Dividend cover	1.05	1.04	
Revenue reserves[D]	£3,952,000	£3,619,000	

[A] Based on IFRS NAV above reduced by dividend adjustment of 1.8865p (2007 – 1.8865p).

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

[C] The figures for dividends per share reflect the years in which they were earned (see note 8 on page 37).

[D] The revenue reserve figure does not take account of the fourth interim dividend amounting to £2,290,000 (2007 – fifth interim – £2,300,000).

Performance (total return)

	1 year ended 30 September 2008	3 years ended 30 September 2008	5 years ended 30 September 2008
Share price	– 37.8%	– 23.7%	+ 16.0%
Net asset value per share	– 36.6%	– 16.8%	+ 34.8%
FTSE All-Share Index	– 22.3%	+ 0.0%	+ 44.5%

Dividends

	Rate per share	xd date	Record date	Payment date
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**			
First interim dividend	0.6846p	22 November 2006	24 November 2006	31 January 2007
Second interim dividend	0.4204p	13 December 2006	15 December 2006	31 January 2007
Third interim dividend	1.1050p	11 April 2007	13 April 2007	30 April 2007
Fourth interim dividend	1.1050p	11 July 2007	13 July 2007	31 July 2007
Fifth interim dividend	1.8865p	10 October 2007	12 October 2007	31 October 2007
2006/07	**5.2015p**			

Ten Year Financial Record

Year to 30 September	1999	2000	2001	2002	2003	2004[A]	2005	2006	2007	2008
Revenue available for ordinary dividends (£'000)	996	1,279	1,633	1,682	1,796	2,294	3,210	4,650	6,331	6,790
Per share										
Net revenue return (p)	3.21	4.12	5.00	4.92	4.85	4.94	5.24	5.32	5.43	5.58
Net dividends paid/proposed (p)	3.00	3.70	4.70	4.85	4.85	4.85	4.85	5.05	5.2015	5.3005
Total return (p)	13.5	0.4	(1.5)	(12.0)	10.3	12.0	20.1	16.2	5.2	(33.0)
Net asset value per share										
Basic (p)	77.1	73.8	67.6	51.7	57.2	64.5	80.4	92.6	94.4	56.0
Shareholders' funds (£m)	23.9	22.9	22.1	19.1	21.2	31.6	63.4	87.0	115.1	68.0

[A] 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	1998	1999	2000	2001	2002	2003	2004[A]	2005	2006	2007	2008
NAV	100.0	115.8	110.8	101.5	77.7	85.9	97.0	118.2	136.2	138.8	82.4
NAV total return[B]	100.0	120.2	119.8	116.0	94.7	114.8	142.5	186.1	227.5	244.2	154.8
Share price performance	100.0	124.3	116.3	118.8	95.8	106.7	110.5	138.9	162.8	153.1	88.7
Share price total return[B]	100.0	129.4	126.6	136.9	117.4	142.3	161.3	216.5	268.5	265.7	165.2
Benchmark performance	100.0	120.5	129.2	99.8	76.8	86.5	96.9	117.1	130.1	141.5	105.9
Benchmark total return[B]	100.0	123.6	135.3	107.2	84.9	99.1	114.7	143.2	164.3	184.3	143.3

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

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

Investment Portfolio – Ordinary Shares

As at 30 September 2008

	Valuation 2008 £'000	Total portfolio %	Valuation 2007 £'000
FirstGroup	3,328	3.0	4,472
Intermediate Capital	2,723	2.4	2,857
HSBC	2,696	2.4	2,705
Prudential	2,467	2.2	3,651
BT	2,199	2.0	–
Premier Oil	2,185	1.9	3,026
BP	2,088	1.9	2,552
Scottish & Southern Energy	1,998	1.8	4,153
Diageo	1,984	1.8	2,253
Centrica	1,915	1.7	–
Ten largest investments	**23,583**	**21.1**	
Severn Trent	1,896	1.7	2,731
Provident Financial	1,873	1.7	1,787
National Grid	1,856	1.7	–
BAE Systems	1,669	1.5	6,928
British Land	1,601	1.4	2,518
Tomkins	1,537	1.4	–
Close Bros	1,528	1.4	–
Tesco	1,512	1.3	–
Friends Provident	1,502	1.3	2,744
AstraZeneca	1,476	1.3	–
Twenty largest investments	**40,033**	**35.8**	
Daily Mail & General Trust	1,420	1.3	–
Mucklow (A&J)	1,400	1.2	1,569
Rio Tinto	1,397	1.2	5,072
Hunting	1,355	1.2	1,504
Royal Bank of Scotland	1,330	1.2	2,360
Whitbread	1,322	1.2	–
Persimmon	1,294	1.2	1,927
ATH Resources	1,208	1.1	1,440
Marston's	1,183	1.1	2,972
Millennium & Copthorne	1,179	1.1	–
Thirty largest investments	**53,121**	**47.6**	
Balfour Beatty	1,170	1.0	2,253
Amec	1,146	1.0	–
Speedy Hire	1,107	1.0	4,653
Vodafone	1,098	1.0	49
Premier Foods	1,045	0.9	–
Holidaybreak	1,019	0.9	2,356
Rolls Royce	1,009	0.9	–
Mothercare	999	0.9	–
Wolseley	959	0.9	–
Lloyds TSB	943	0.8	2,257
Forty largest investments	**63,616**	**56.9**	

	Valuation 2008 £'000	Total portfolio %	Valuation 2007 £'000
Marks & Spencer	907	0.8	–
Premier Farnell	897	0.8	869
SIG	848	0.8	–
Unilever	837	0.7	–
GKN	812	0.7	–
British American Tobacco	679	0.6	–
XP Power	578	0.5	977
Aviva	576	0.5	–
Brookwell	540	0.5	–
Kesa	510	0.4	–
Fifty largest investments	**70,800**	**63.2**	
Land Securities	375	0.3	–
Hotel Corp	27	0.0	1,416
Total ordinary shares	**71,202**	**63.5**	

Investment Portfolio – Other Investments

As at 30 September 2008

	Valuation 2008 £'000	Total portfolio %	Valuation 2007 £'000
Convertibles			
Balfour Beatty 10.75p	1,890	1.7	2,194
Total convertibles	**1,890**	**1.7**	
Corporate bonds			
Centrica 5.5% 2016	1,811	1.6	1,908
Rexam 7.125% 2009	1,504	1.3	1,519
Society of Lloyds 6.875% 2015	1,481	1.3	1,661
Slough Estates 6.25% 2015	1,456	1.3	1,624
GKN 7% 2012	1,419	1.3	1,519
Bank of Scotland 8.117% 2010	1,387	1.2	1,562
Santander 5.375% 2017	1,384	1.2	–
Rabobank 5% 2011	1,383	1.2	–
London Stock Exchange 5.875% 2016	1,373	1.2	1,459
Kelda 6.875% 2010	1,373	1.2	1,378
Ten largest investments	**14,571**	**12.8**	
National Westminster 7.625% 2010	1,365	1.2	1,441
BUPA Finance 6.125% 2020	1,235	1.1	1,530
FirstGroup 6.125% 2019	1,178	1.1	1,365
Deutsche Telekom 7.125% 2012	1,110	1.0	–
Rentokil Initial 6.125% 2008	998	0.9	998
Linde Finance 6.5% 2016	974	0.9	–
Lloyds TSB 5.125% 2016	956	0.9	–
Northumbrian Water Finance 6% 2017	950	0.8	951
Lafarge 6.875% 2012	935	0.8	1,020
Imperial Tobacco Finance 6.85% 2012	910	0.8	940
Twenty largest investments	**25,182**	**22.3**	
Investec Finance 7.75% 2016	909	0.9	1,008
GE Capital UK Funding 6% 2013	884	0.8	–
BSkyB Finance 5.75% 2017	883	0.8	–
Friends Provident 6.292% 2015	727	0.7	950
Pearl Group 6.5864%	490	0.4	1,321
Total corporate bonds	**29,075**	**25.9**	
Preference shares			
Co-op Bank 9.25%	3,510	3.2	3,975
Abbey National 8.625%	1,759	1.6	2,004
Standard Chartered 7.375%	1,600	1.4	1,770
National Westminster 9%	1,596	1.4	2,268
Standard Chartered 8.25%	1,476	1.3	1,559
Total preference shares	**9,941**	**8.9**	
Total investments	**112,108**	**100.0**	

Distribution of Assets and Liabilities

As at 30 September 2008

	Valuation at 30 September 2007 £'000	%	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation at 30 September 2008 £'000	%
Listed investments							
Ordinary shares	122,306	106.3	37,503	(53,730)	(34,877)	71,202	104.6
Convertibles	2,194	1.9	–	–	(304)	1,890	2.8
Corporate bonds	35,339	30.7	6,771	(7,293)	(5,742)	29,075	42.7
Other fixed interest	11,576	10.1	–	–	(1,635)	9,941	14.6
	171,415	149.0	44,274	(61,023)	(42,558)	112,108	164.7
Other non-current assets	31,862	27.7				21,715	31.9
Current assets	3,025	2.6				19,148	28.1
Current liabilities	(1,136)	(1.0)				(6,211)	(9.1)
Non-current liabilities	(90,089)	(78.3)				(78,717)	(115.6)
Net assets	**115,077**	**100.0**				**68,043**	**100.0**
Net asset value per share	**94.37p**					**56.04p**	

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

Age: 66.

Length of Service: 14 years.

Experience and other public company directorships: Non-executive Director 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 2007.

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: 114,275 Ordinary shares.

Ian M Boyd C.A.

Status: Independent Non-Executive Director.

Age: 64.

Length of Service: 19 years.

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 2007.

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 BSc (Hons)

Status: Independent Non-Executive Director.

Age: 40.

Length of Service: 5 years.

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 C.A.

Status: Independent Non-Executive Director.

Age: 42.

Length of Service: 1 year.

Experience and other public company directorships: Currently Finance Director of Stagecoach Group plc and a non executive director of Robert Walters plc. Formerly a Director of Trainline Holdings Limited. 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: £12,561 per annum.
Employment by the Manager: None.
Other connections with Company or Manager: None.
Shareholding in Company: 28,000 Ordinary shares.

Directors' Report

Future of the Company

Recent market volatility and recession in the UK have significantly eroded the Company's net assets and reduced the prospects for corporate earnings in the Company's portfolio. In addition, market volatility has significantly increased the structural risk of the Company's zero coupon financing. There is therefore significant uncertainty as to the ability of the Company to maintain its current dividend or the Company's financing in its current form after the current financing obligations have expired. The Board has expressly reviewed the collateral required within the terms of the zero coupon financing arrangements, together with the potential impact of continued market volatility, and is satisfied that the Company's liabilities can be met as they fall due, for a period of at least one year from the date of this report.

The Company's Articles of Association oblige the Board to put to shareholders, at this year's AGM and each fifth AGM thereafter, an ordinary resolution to resolve that the Company should continue as an investment trust. In the event that such resolution is not passed, the Directors are obliged to convene an extraordinary general meeting to be held within four months after the AGM at which a special resolution is to be proposed to require the Company to be wound up voluntarily or to approve proposals which would result in the shareholders receiving, in lieu of their shares, units in a unit trust scheme.

However, the Board is of the view that liquidating the Company's portfolio and repaying the zero coupon finance early in the current market environment would be detrimental to shareholders. The Directors are of the view that it is in shareholders' best interests to reconsider the future of the Company once the wider economic situation is clearer and current market volatility has eased. They will continue to consult with advisors with the objective of developing a suitable and sustainable strategy for the longer term.

The Directors are therefore unanimously recommending that shareholders vote in favour of the continuation vote at this year's AGM but with the important commitment that, if the continuation vote is passed at this year's AGM, the Directors undertake to put to shareholders, at or prior to the next AGM, an ordinary resolution to approve the continuation of the Company as an investment trust. If this continuation vote is not passed, the Directors will convene an extraordinary 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 would result in the shareholders receiving, in lieu of their shares, units in a unit trust scheme.

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 2007 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.

Business Review

Activities

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

Results and Dividends

The financial statements for the year ended 30 September 2008 appear on pages 28 to 48. Dividends declared and paid in the year amounted to 5.3005p per share (2007 - 5.2015p). The fourth interim dividend of 1.8865p per share announced on 4 October 2008 was unchanged (from the fifth interim dividend for 2007) and will be accounted for in the financial year ending on 30 September 2009. As detailed in note 8, under International Financial Reporting Standards (IFRS) the dividends accounted for in the 2008 results amount to 5.3005p per share (£6,457,000) compared to 5.125p per share (£5,513,000) accounted for in the year ended 30 September 2007.

Share Capital

At the Annual General Meeting held on 19 December 2007, shareholders approved the renewal of the authority permitting the Company to make market purchases of its own Ordinary shares. During the year ended 30 September 2008, 528,985 Ordinary shares of 25p each (0.43% of the issued share capital at 30 September 2007) were bought back at an average price of 64p per share to be held in treasury. The issued share capital at 30 September 2008 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.

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 7 and 8 with historical performance being shown on page 9. 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

The principal risks facing the Company relate to the Company's investment activities and include market price risk (comprising interest rate 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 42.

Investment Policy

The Company invests in equities, bonds and preference shares. Investment in corporate bonds and preference shares is primarily to enhance the income generation of the Company. The investment risk within the portfolio is managed by investing in different categories of investments and by the Manager adhering to various guidelines set by the Board.

Gearing is used with the intention of enhancing long-term returns. The Company's gearing is in the form of zero coupon finance. This is a set of put and call options on the FTSE 100 which generate a premium that is invested mainly in corporate bonds. The risk of the zero coupon finance is managed by the structure of the put and call options. The structure is such that the Company knows at the outset of the arrangement exactly how much it will require to repay when the options mature irrespective of the level of the FTSE 100. The risk of this gearing is also managed by investing in corporate bonds, the vast majority of which are of an investment grade nature, and preference shares of large financial institutions.

The Company also writes covered put and call options and this traded options strategy is used by the Manager to assist in enacting equity portfolio changes, while taking account of ongoing volatility. The risk associated with the traded options strategy is managed by the Manager adhering to various guidelines set by the Board.

Investment Risk

The Directors are responsible for determining the investment policy and the investment objectives of the Company, while the day-to-day management of the Company's assets has been delegated to the Manager. The Manager invests in a portfolio of equities, corporate bonds and preference shares, following their investment processes. The equity investment process is active and bottom-up, based on a disciplined evaluation of companies through direct visits by fund managers. Stock selection is the major source of added value, concentrating on quality first, then value. Top-down investment factors are secondary in the equity portfolio construction, with diversification rather than formal controls guiding stock and sector weights. However the exposure to equities is limited by the investment guidelines drawn up by the Board in conjunction with the Manager.

These include:

- Maximum equity gearing of 115% of Net Asset Value;
- Maximum 5% of investee companies' ordinary shares;
- Maximum 7.5% of Glasgow Income Trust's net assets invested in the securities of one company;
- No unquoted investments.

The fixed income investment process is an active investment style which identifies value between individual securities. This is achieved by combining bottom-up security selection with a top-down investment approach. Again the exposure to fixed income is limited by the investment guidelines drawn up by the Board in conjunction with the Manager.

These include:

- No holding in a single fixed income security to exceed 5% of the total bond issue of the investee company;
- No single bond holding to exceed 10% of the total bond portfolio.

The traded options strategy guidelines drawn up by the Board in conjunction with the Manager include:

- Options written to be covered by stock held or net current assets/borrowing facilities;
- Call options not to be written over more than 100% of a stock holding;
- Call options not to be written on more than 15% of net assets;
- Put options not to be written on more than 15% of net assets.

Analysis of Portfolio

A comprehensive analysis of the portfolio is given in the Manager's Review on pages 5 and 6, the distribution of assets and liabilities on page 13 and the Investment Portfolio on pages 10 to12.

Directors

The Directors are shown on page 14 to 15. Save for Mr Griffiths who was appointed on 8 November 2007 (and who was re-elected at last year's AGM), all held office throughout the year. R.G. Hanna, having served as a Director since 1995, retires and, being eligible, offers himself for re-election. I.M. Boyd, having served as a Director since 1990, retires and, being eligible, 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 and Mr Boyd.

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 2008 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 2008 Ordinary shares		At 1 October 2007 Ordinary shares	
	Beneficial	**Non-beneficial**	**Beneficial**	**Non-beneficial**
R G Hanna	114,275	-	111,917	-
I M Boyd	70,000	-	70,000	-
K Hart	500,000	-	500,000	-
M Griffiths	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 1,577 shares during the period 1 October 2008 to 4 November 2008.

Substantial Interests

As at 4 November 2008 the Company had received notification of the following interests in the Ordinary share capital of the Company

Shareholder	Number of shares held	% held
Clients of Aberdeen Asset Management	10,241,418	8.43
M&G Investment Management	8,008,099	6.60
Reliance Mutual	6,575,000	5.42
Barclays PLC	6,096,980	5.02
Legal & General Investment Management	5,441,923	4.48

Special Business at the Annual General Meeting

Continuation Vote

As detailed under "Future of the Company" above, the Directors are unanimously recommending that shareholders vote in favour of the continuation vote as set out in Resolution 7. As also noted above and in the Chairman's Statement, if the continuation vote is passed at this year's AGM, the Directors have undertaken to put to shareholders, at or prior to the next AGM, another continuation vote.

Authority to Allot Shares

At the Annual General Meeting in 2007, shareholders gave Directors the authority under Section 80 of the Companies Act 1985 to allot shares in the Company. It is proposed to renew the authority at the AGM, such authority to expire at the conclusion of the next AGM or after a period of 15 months from the passing of the resolution, whichever is earlier. Accordingly Resolution 8 will be proposed as an ordinary resolution giving the Directors general authority to allot shares in the Company up to a maximum nominal amount of £10,117,794 being one-third of the Company's issued Ordinary share capital as at 4 November 2008. The Directors have no present intention to use the Section 80 authority, but will do so if a suitable opportunity arises in the future. As at 4 November 2008, 528,985 of the Company's issued shares are held in treasury.

Authority to Disapply Statutory Pre-emption Rights

The power given to Directors at the last Annual General Meeting to allot shares for cash otherwise than in accordance with the statutory pre-emption rights expires on the date of the forthcoming Annual General Meeting. Since in certain circumstances it may be in the best interests of the Company to issue shares for cash otherwise than pro rata to existing shareholders, the Directors consider that it is appropriate for this power to be renewed at the forthcoming Annual General Meeting. Accordingly, Resolution 9 will be proposed as a special resolution giving the Directors power to allot for cash, as if Section 89(1) of the Companies Act 1985 did not apply, equity securities in connection with a rights issue or other offer of equity securities to shareholders and, provided the shares are issued at a price not less than their underlying fully diluted net asset value, in other cases up to an aggregate nominal amount of £1,517,669, which is equivalent to approximately 5% of the issued Ordinary share capital of the Company as at 4 November 2008. This authority will expire at the conclusion of the next AGM or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. 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 re-sale of any treasury shares would take place at a price of not less that the net asset value prevailing at the date of sale. The Directors recommend that shareholders vote in favour of Resolutions 8 and 9.

Authority to Buy Back Shares

The resolution passed at the last Annual General Meeting to authorise the Company to make market purchases of up to 14.99% of its own Ordinary shares expires on the date of the forthcoming Annual General Meeting. Accordingly, Resolution 10 will be proposed as a special resolution to renew this authority for a further period. The Directors may cancel these shares or hold them in treasury. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility at the AGM. Such authority will expire at the conclusion of the next AGM or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. Resolution 10 sets out the lowest and highest prices that the Company can pay for its shares. The Directors recommend that shareholders vote in favour of Resolution 10

Articles of Association

The law in relation to companies is currently undergoing a number of changes following the introduction of new companies legislation in the United Kingdom under the Companies Act 2006 (2006 Act). The changes are being implemented in stages, with some parts already in force and the final parts due to be implemented in October 2009. Some of the changes will apply automatically to the Company, whilst others will require the Company to take specific steps to take advantage of, or exclude, as the case may be, the effect of the changes.

In order to accommodate all the proposed changes to the Company's existing Articles of Association (Existing Articles) to reflect those provisions of the 2006 Act which are currently in force, your Board is proposing that new Articles of Association (New Articles) are adopted at this year's Annual General Meeting. Accordingly, Resolution 11 is a special resolution relating to the adoption of the New Articles. Shareholders should note that since it is expected that the 2006 Act will not be fully in force until October 2009 at the earliest, there may be further changes to be made to the New Articles at the Company's next Annual General Meeting to ensure full compliance with the 2006 Act. The principal changes proposed to be made to the Existing Articles at the Company's Annual General Meeting are detailed in the Appendix at the back of this Annual Report.

The proposed New Articles are available for inspection at the Company's registered office from the date of this Annual Report until the close of the Annual General Meeting which is being held at the registered office, 40 Princes Street, Edinburgh EH2 2BY and at the offices of the Manager at One Bow Churchyard, London, EC4M 9HH.

Your Board considers Resolution 11 to be in the best interests of the Company and its members as a whole and is most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders vote in favour of Resolution 11.

Manager and Company Secretary

Investment management services are provided to the Company by Aberdeen Asset Managers Limited. Company secretarial, accounting and administrative services are provided by Aberdeen Asset Management PLC. The contract was novated to Aberdeen effective 31 January 2008 and the fee is at a rate of 0.75% of shareholders' funds. The contract may be terminated by either the Company or the Manager on the expiry of 12 months' written notice.

Investment Management Agreement

The key terms of the Investment Management Agreement and specifically the fee charged by 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 previously charged by GIM and now Aberdeen is competitive with reference to other investment trusts with a similar investment mandate and is priced appropriately given the level of service provided by Aberdeen.

The Board considers the continuing appointment of the Manager to be in the best interests of the shareholders at this time.

Corporate Governance

The Statement of Corporate Governance is set out on pages 21 to 23.

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.

Auditors

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office. Resolution 5, to re-appoint Ernst & Young LLP as the Company's Auditors, will be put to the forthcoming Annual General Meeting along with Resolution 6, to authorise the Directors to fix 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.

Your Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the shareholders as a whole and recommends that they vote in favour of such resolutions as the Directors intend to do in respect of their own beneficial holdings.

By Order of the Board
Aberdeen Asset Management PLC
Secretaries
18 November 2008

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 AIC Code of Corporate Governance (the "AIC Code") which was issued in February 2006 (amended in May 2007) and has been endorsed by the Financial Reporting Council.

The Board

The Board currently consists of four non-executive Directors. There is no Chief Executive position within the Company as day to day management of the Company's affairs has been delegated to the Manager, Aberdeen Asset Managers Limited (previously Glasgow Investment Managers Limited (GIM)). 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 Manager at One Bow Churchyard, London EC4M 9HH and will also be available for fifteen minutes prior to and during the Annual General Meeting.

Each of the Directors is entitled to be indemnified by the Company against all costs, charges, losses, damages and expenses incurred or arising out of any contract, act, deed, matter or thing which is made, done, entered into or executed by the Directors respectively on the Company's behalf. The Directors shall be reimbursed by the Company for all reasonable expenses incurred by them in relation to legal proceedings or arbitration on account of the Company, or in the carrying out of their respective offices. However, this indemnity does not extend to costs, losses and expense occurring as a result of the Directors' respective negligence, default, breach of duty or breach of trust. Each Director is chargeable only for the amount of money he actually receives. A Director shall be liable for his own acts, receipts, neglects or defaults, but not those of his fellow Directors. The Directors are not respectively answerable for (1) any banker, broker, collector or other person with whom or into whose hands any of the Company's property or monies may be deposited or come; (2) the insufficient title to any security or investment acquired from time to time by or on behalf of the Company; (3) the insufficiency of any investment or security in which any of the Company's monies are placed by order of or under the Directors' authority; or (4) any loss or damage which occurs in the execution of their respective offices, unless through their own respective negligence, default or breach of duty or trust. The foregoing rights are included in the Articles of Association of the Company. The New Articles will permit the Company to indemnify the Directors, former directors or any other officer for all of the above liabilities, and also 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. A copy of the New Articles is available for inspection at the same times and in the same manner as the Directors' letters of appointment.

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 Chairman, R.G. Hanna, has sat on the Board for fourteen years and I.M. Boyd has sat on the Board for 19 years. The Board has considered the independence of these two Directors with particular care and feels they display all the characteristics of independence and can be relied upon so to act at all times. In order to comply with the AIC Code, Mr Hanna and Mr Boyd will be subject to re-election on an annual basis.

The AIC Code provides that the Board should undertake 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 2008 as follows:

Director	Board Meetings Attended	Audit and Remuneration Committee Meetings Attended
R G Hanna	7/7	3/3
I M Boyd	7/7	3/3
K Hart	7/7	3/3
M Griffiths	6/6	1/1

The Board has appointed Aberdeen to manage the Company's investment portfolio within guidelines set by the Board and 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 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, benchmark, 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.

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 I.M. Boyd. Mr Boyd assumed the Chair of the Audit Committee effective from the conclusion of the meeting held on 28 May 2008. 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 2008, there were no non-audit services provided.

The Audit Committee's responsibilities also include reviewing the arrangements in place within 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. The Nominations Committee met on 7 November 2007 to confirm the appointment of Mr Griffiths effective 8 November 2007.

Remuneration Committee

As noted in the Directors' Remuneration Report of 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 19.

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 Manager are available to discuss key issues affecting the Company. The Manager also conducted a series of meetings with shareholders throughout the year 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.

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

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

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 Aberdeen, and for monitoring the performance and activities of investee companies. Aberdeen 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 vote at all general meetings of UK companies. 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.

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 1985 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 1985. 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, Directors' Remuneration Report and Corporate Governance Statement 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 includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of Glasgow Income Trust plc
I .M. Boyd
Chairman of the Audit Committee
18 November 2008

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 Manager, 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.

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. This limit, which was last adjusted by special resolution at the Annual General Meeting of the Company held in December 2006, is £70,000 per annum, subject to annual upward adjustment on 1 October each year in line with the change in the Retail Price Index from October 2007 and also subject to a pro-rata adjustment should the number of Directors be increased either temporarily or permanently. The limit for the year ended 30 September 2008 was £76,400.

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 2008.

Audited Information

The total fee payable to each Director who served during the present and previous financial years of the Company is shown in the following table (audited):

	Group and Company	
	2008	**2007**
	£	**£**
R.G. Hanna	20,000	19,250
I.M. Boyd	14,000	13,500
K. Hart	14,000	13,500
M. Griffiths (appointed 8 November 2007)	12,561	-
	60,561	**46,250**

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 present or preceding financial years other than the fees shown above.

Approved by the Board of Directors on 18 November 2008 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 2008 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. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable UK law and International Financial Reporting Standards (IFRSs) as adopted by the EU, are set out in the Statement of Directors' Responsibilities on page 24.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Financial Highlights, Corporate Summary, Chairman's Statement, Manager's Review, Results, Performance, Investment Portfolio, Distribution of Assets and Liabilities, Your Board of Directors, Directors' Report, the unaudited part of the Directors' Remuneration Report and the Notice of Annual General Meeting . We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 30 September 2008 and of the group's loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of Matter – Going Concern
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of preparation. The Company's ability to continue as a going concern is dependent on the continuation vote being approved by shareholders at the Annual General Meeting. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result in the event that the continuation vote was not passed by shareholders.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
18 November 2008
Edinburgh

Consolidated Income Statement

	Note	Year ended 30 September 2008 Revenue £'000	Capital £'000	Total £'000	Year ended 30 September 2007 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value	10	–	(42,684)	(42,684)	–	2,645	2,645
Revenue	2						
Dividend income		4,540	–	4,540	4,818	–	4,818
Interest income from investments		2,502	–	2,502	2,169	–	2,169
Deposit interest		451	–	451	119	–	119
AAA money market funds interest		145	–	145	–	–	–
Traded options		673	–	673	690	–	690
Other income		58	25	83	1	–	1
Losses of dealing subsidiary		(26)	–	(26)	(52)	–	(52)
		8,343	(42,659)	(34,316)	7,745	2,645	10,390
Expenses							
Investment management fees	3	(351)	(351)	(702)	(519)	(519)	(1,038)
Other administrative expenses	4	(287)	–	(287)	(227)	–	(227)
Finance costs of borrowing	5	(11)	(11)	(22)	(79)	(79)	(158)
Zero coupon finance costs	14	–	(4,108)	(4,108)	–	(2,455)	(2,455)
Profit/(loss) before taxation		7,694	(47,129)	(39,435)	6,920	(408)	6,512
Taxation	6	(904)	105	(799)	(589)	179	(410)
Profit/(loss) attributable to equity holders of the Company		**6,790**	**(47,024)**	**(40,234)**	**6,331**	**(229)**	**6,102**
Earnings per Ordinary share (pence)	9	**5.58**	**(38.62)**	**(33.04)**	**5.43**	**(0.19)**	**5.24**

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 32.* 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.

All items in the above statement derive from continuing operations.

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

Balance Sheets

	Note	Group As at 30 September 2008 £'000	Group As at 30 September 2007 £'000	Company As at 30 September 2008 £'000	Company As at 30 September 2007 £'000
Non-current assets					
Ordinary shares		71,202	122,306	71,202	122,306
Convertibles		1,890	2,194	1,890	2,194
Corporate bonds		29,075	35,339	29,075	35,339
Other fixed interest		9,941	11,576	9,941	11,576
Investments held at fair value through profit or loss	10	112,108	171,415	112,108	171,415
Zero coupon finance derivatives at fair value	14	21,715	31,862	21,715	31,862
Subsidiary	11	–	–	5	5
		133,823	203,277	133,828	203,282
Current assets					
Trade and other receivables		298	12	298	478
Accrued income and prepayments		1,755	2,202	1,755	2,202
Investments of dealing subsidiary		–	673	–	–
AAA money market funds		6,338	–	6,338	–
Cash and short term deposits		10,730	138	10,730	138
Zero coupon finance derivatives at fair value	14	27	–	27	–
Total current assets	12	19,148	3,025	19,148	2,818
Total assets		152,971	206,302	152,976	206,100
Current liabilities					
Trade and other payables		(851)	(714)	(1,075)	(756)
Short-term borrowings		–	(422)	–	(422)
Zero coupon finance derivatives at fair value	14	(5,360)	–	(5,360)	–
Total current liabilities	13	(6,211)	(1,136)	(6,435)	(1,178)
Non-current liabilities					
Zero coupon finance derivatives at fair value	14	(78,717)	(90,089)	(78,717)	(90,089)
Total liabilities		(84,928)	(91,225)	(85,152)	(91,267)
Net assets		**68,043**	**115,077**	**67,824**	**114,833**
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	53,205	53,204	53,205
Special reserve	17	4,658	5,000	4,658	5,000
Capital reserve	18	(24,257)	22,767	(24,257)	22,767
Revenue reserve	18	3,952	3,619	3,733	3,375
Equity shareholders' funds		**68,043**	**115,077**	**67,824**	**114,833**
Net asset value per Ordinary share (pence)	9	**56.04**	**94.37**		

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2008 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 2008

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
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**

For year ended 30 September 2007

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2006	23,496	32,715	5,000	22,996	2,801	87,008
(Loss)/profit after tax	–	–	–	(229)	6,331	6,102
Equity dividends	–	–	–	–	(5,513)	(5,513)
Issue of share capital	6,990	20,490	–	–	–	27,480
Balance at 30 September 2007	**30,486**	**53,205**	**5,000**	**22,767**	**3,619**	**115,077**

Company Statement of Changes in Equity

Year ended 30 September 2008

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
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**

For year ended 30 September 2007

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2006	23,496	32,715	5,000	22,996	2,548	86,755
(Loss)/profit after tax	–	–	–	(229)	6,340	6,111
Equity dividends	–	–	–	–	(5,513)	(5,513)
Issue of share capital	6,990	20,490	–	–	–	27,480
Balance at 30 September 2007	**30,486**	**53,205**	**5,000**	**22,767**	**3,375**	**114,833**

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

Group and Company Cash Flow Statement

	Year ended 30 September 2008 £'000	Year ended 30 September 2008 £'000	Year ended 30 September 2007 £'000	Year ended 30 September 2007 £'000
Cash flows from operating activities				
Investment income received	7,552		6,776	
Deposit interest received	547		120	
Dealing subsidiary receipts	673		–	
Other cash receipts	591		834	
Administrative expenses paid	(1,111)		(1,213)	
Cash generated from operations		8,252		6,517
Interest paid		(22)		(151)
Taxation		(625)		(426)
Net cash inflows from operating activities		7,605		5,940
Cash flows from investing activities				
Purchases of investments	(44,163)		(160,450)	
Sales of investments	60,710		117,443	
Zero coupon finance	–		15,126	
Net cash inflow/(outflow) from investing activities		16,547		(27,881)
Net cash inflow/(outflow) before financing		24,152		(21,941)
Financing activities				
Proceeds of issue of shares	(1)		27,468	
Cost of share buy backs	(342)		–	
Dividends paid	(6,457)		(5,513)	
Net cash (outflow)/inflow from financing activities		(6,800)		21,955
Net cash inflow before management of liquid resources		17,352		14
Management of liquid resources				
Purchase of AAA money market funds	(18,843)		–	
Sale of AAA money market funds	12,505		–	
Net cash outflow from management of liquid resources		(6,338)		–
Net increase in cash and short term deposits		11,014		14
Cash and cash equivalents at the start of the year		(284)		(298)
Cash and short term deposits at the end of the year		**10,730**		**(284)**
Cash and short term deposits comprise:				
Cash and short term deposits		10,730		138
Short term borrowings		–		(422)
		10,730		**(284)**

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

Notes to the Financial Statements For the year ended 30 September 2008

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") for investment trusts issued by the Association of Investment Companies in December 2005 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.

   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.

   The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due. There are uncertainties that the Directors have had to consider in deciding to prepare the financial statements on this basis, which are set out below.

   The Companies Articles of Association provide that the Company must, at this year's AGM and each fifth AGM thereafter, put to shareholders an ordinary resolution to resolve that the Company should continue as an investment trust for a further five years. In the event that such a resolution is not passed, the Directors are obliged to convene an extraordinary general meeting to be held within four months after the AGM at which a special resolution is to be proposed to require the Company to be wound up voluntarily or to approve proposals which would result in the shareholders receiving, in lieu of their shares, units in a unit trust scheme.

   If the continuation vote is passed at this year's AGM, the Directors have undertaken to put to shareholders, at the next AGM, another continuation vote. This continuation vote will be proposed as an ordinary resolution and, if it is not passed, the Directors will convene an extraordinary 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 will provide shareholders with an opportunity to realise their investment.

   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 shareholders are satisfied to continue the operations of the Company, or whether shareholder interests would be better served by another means. There is no guarantee that shareholders will pass the continuation vote at the AGM. Other than this consideration, the Directors, having considered market volatility together with the Company's future cash flows and collateral requirements, 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.

   If the continuation vote is not passed at the AGM in 2008 or again at the next AGM, adjustments would be required to reduce the Balance Sheet values to their recoverable amounts, reclassify non-current assets as current, and provide for further liabilities that might arise including liquidation costs estimated at £250,000.

   The Company has adopted the following standards and interpretations during the year 2007/08:

   – IFRS 7 Financial Instruments: Disclosures

   – IAS 1 Amendment – Presentation of Financial Statements

These standards primarily concern the disclosure of Capital, Financial Instruments and risks. These disclosures can be found primarily in note 19.

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

– 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 2008)

– IAS 23 Borrowing Costs – Amendment requiring that all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets form part of the cost of the asset (effective for annual periods beginning on or after 1 January 2009)

– IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising to IFRS 3 (effective for annual periods beginning on or after 1 July 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 a revenue account 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. Realised and unrealised 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 has in place medium-term funding in the form of zero coupon finance through a series of option transactions on the FTSE 100 Index. The option contracts are accounted for as separate derivative contracts and therefore are 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 interest

The AAA money market funds are used by the Company to provide addditional 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 timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

2. Income	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Income from listed investments:				
Dividend income		4,540		4,818
Interest income from investments and overseas interest		2,502		2,169
Stock dividend		41		–
Underwriting income		17		–
Unclaimed dividends		–		1
		7,100		6,988
Other income from investment activity				
Deposit interest		451		119
AAA money market funds interest		145		–
Traded option premiums		673		690
Sales of investments in dealing subsidiary	647		–	
Cost of sales in dealing subsisdiary	(673)		–	
Decrease in fair value of investments in dealing subsidiary	–		(52)	
		(26)		(52)
		1,243		757
Total income		**8,343**		**7,745**

In addition to the above which has been reported as revenue, there is £25,000 (2007 – £nil) of income reported as capital. This was received by the fund in the form of an incentive payment for early instruction on a proposed amendment to the terms of a preference share holding.

3. Secretarial and Management Fee

For the year ended 30 September 2008 management and secretarial services were provided by Aberdeen Asset Managers Limited. The fee is at an annual rate, calculated monthly and paid quarterly. The fee is allocated 50% to capital and 50% to revenue.

The fee for the year ended 30 September 2008 was £702,000 exclusive of VAT (2007 – £1,038,000 inclusive of VAT).

Note 21 provides further information on the current status of VAT charged on management fees and its implications for the Company

	2008			2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	351	351	702	519	519	1,038

4. *Administrative expenses*	2008 £'000	2007 £'000
Directors' remuneration – fees as Directors	61	46
Fees payable to auditors and associates:		
– fees payable to the Company's auditors for the audit of the annual accounts	17	14
– fees payable to the Company's auditors and its associates for other services:		
– taxation services	–	5
– other services pursuant to legislation	–	7
Marketing contribution	75	–
Other management expenses	134	155
	287	**227**

The Company had no employees during the year (2007 – nil). No pension contributions were paid for Directors (2007 – £nil). Further details on Directors' Remuneration can be found in the Directors Remuneration Report on page 25.

5. **Finance costs and borrowings**	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Bank loans and overdrafts repayable within one year	11	11	22	79	79	158

6. **Taxation**	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Notional corporation tax at 29% (2007 – 30%)	105	(105)	–	179	(179)	–
Corporation tax at 29% (2007 – 30%)	799	–	799	410	–	410
	904	**(105)**	**799**	**589**	**(179)**	**410**

All management expenses arising on Revenue items this year were relieved against taxable revenue. By relieving £362,000 (2007 – £598,000) of surplus management expenses arising on capital items against the remaining taxable revenue, the Group reduced its corporation tax charge. However, an amount equal to 29% of £362,000, i.e. £105,000 (2007 – 30% of £598,000, i.e. £179,000) has been credited to capital and charged to revenue as a notional corporation tax item to prevent the distribution of capital equal to this amount.

At 30 September 2008, the Group had no surplus management expenses or non-trade debits (2007 – £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 29% (2007 – 30%):

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Profit on ordinary activities before taxation	7,694	(47,129)	39,435	6,920	(408)	6,512
Taxation of return on ordinary activities at the standard rate of corporation tax	2,231	(13,667)	(11,436)	2,076	(122)	1,954
Effects of:						
UK dividend income not liable to further tax	(1,316)	–	(1,316)	(1,445)	–	(1,445)
Stock dividend not taxable	(11)	–	(11)	–	–	–
Capital gains not taxable	–	13,562	13,562	–	(57)	(57)
Prior year adjustment	–	–	–	(42)	–	(42)
Current taxation charge/(credit) for the year	**904**	**(105)**	**799**	**589**	**(179)**	**410**

7. Profit attributable to Ordinary Shareholders of the Company

The revenue profit attributable to equity holders of the Group for the financial year includes £6,815,000 (2007 – £6,340,000) which has been dealt with in the Company's financial statements.

8. Dividends on equity shares

	2008 £'000	2007 £'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 2006 of 1.81p	–	1,701
Three interim dividends for the year ended 30 September 2008 totalling 3.414p (2007 – four interims totalling 3.315p) per share	4,157	3,812
	6,457	**5,513**

The fourth interim dividend of 1.8865p per share, declared on 2 October 2008 and paid on 31 October 2008 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.

	2008 £'000	2007 £'000
Three interim dividends for the year ended 30 September 2008 totalling 3.414p (2007 – four interim dividends totalling 3.315p) per share	4,157	3,812
Fourth interim dividend for the year ended 30 September 2008 of 1.8865p (2007 – fifth interim dividend of 1.8865p) per share	2,290	2,300
	6,447	**6,112**

Notes to the Financial Statements continued

9. Return and net asset value per share	2008 £'000	2007 £'000
The returns per share are based on the following figures:		
Revenue return	6,790	6,331
Capital return	(47,024)	(229)
Total	**(40,234)**	**6,102**
Weighted average number of shares	**121,767,858**	**116,519,827**

Net asset value per share is based on net assets attributable to shareholders of £68,043,000 (2007 – £115,077,000) and on 121,413,532 (2007 – 121,942,517) shares in issue at 30 September 2008.

10. Non-current assets – Securities at fair value	Group & Company 2008 £'000	2007 £'000
Listed on recognised stock exchanges:		
United Kingdom	105,000	165,499
Overseas	7,108	5,916
	112,108	171,415

	Group & Company 2008 £'000	2007 £'000
Cost at 30 September 2007	160,041	108,649
Unrealised appreciation at 30 September 2007	11,374	17,254
Fair value at 30 September 2007	171,415	125,903
Purchases	44,274	159,550
Capital event	41	-
Effective yield adjustment	24	(180)
Sales – proceeds	(61,023)	(115,308)
– net realised (losses)/gains on sales	(8,315)	7,330
Movement in fair value during the year	(34,308)	(5,880)
Valuation at 30 September 2008	**112,108**	**171,415**
Cost at 30 September 2008	135,042	160,041
Unrealised (depreciation)/appreciation at 30 September 2008	(22,934)	11,374
Valuation at 30 September 2008	**112,108**	**171,415**

For an analysis of investments between equity and fixed interest securities and for detailed interest rates, see pages 10 to 12. The total transaction costs on purchases was £192,000 (2007 – £739,000) and on sales £72,000 (2007 – £196,000).

(Losses)/gains on investments held at fair value	Group & Company 2008 £'000	2007 £'000
Net realised (losses)/gains on sales	(8,315)	7,330
Movement in fair value of investments	(34,308)	(5,880)
Movement in fair value of traded option contracts	(61)	89
Special dividend allocated to capital	–	1,106
	(42,684)	**2,645**
The above table includes the following effects of traded option activity:		
Call options exercised	(134)	(693)
Put options assigned	(132)	(284)
	(266)	**(977)**

11. Subsidiary	Company 2008 £'000	2007 £'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.

12. Current assets	Group 2008 £'000	2007 £'000	Company 2008 £'000	2007 £'000
Amounts falling due within one year:				
Investment sales	298	12	298	12
Accrued income and prepayments	1,755	2,202	1,755	2,202
Due by subsidiary	–	–	–	466
Investments of dealing subsidiary at fair value	–	673	–	–
Cash and cash equivalents	17,068	138	17,068	138
Zero coupon finance derivatives at fair value	27	–	27	–
	19,148	**3,025**	**19,148**	**2,818**

13. Current liabilities	Group 2008 £'000	2007 £'000	Company 2008 £'000	2007 £'000
Bank loans and overdrafts	–	422	–	422
Investment purchases	111	–	111	–
Corporation tax	392	209	435	251
Other creditors	348	505	529	505
Zero coupon finance derivatives at fair value	5,360	–	5,360	–
	6,211	**1,136**	**6,435**	**1,178**

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 comprises a set of separately traded financial instruments (FTSE 100 Index options) each with its own market value. The options run until 2008, 2010 and 2011. 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 is treated as an unrealised loss and charged to the capital column of the Consolidated Income Statement.

In total the Company has nine tranches of zero coupon finance. The amount so charged to capital will fluctuate from year to year due to stock market volatility but ranges from 5.5% to 6.6% over the life of all the tranches. When the options reach their expiry date, the aggregate unrealised depreciation will be transferred to realised capital reserve.

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.

Fair value at 30 September 2008	2008 £'000	2007 £'000
Non-current assets		
Call option expiring in December 2008	–	1,622
Call options expiring in January 2010	559	9,487
Call options expiring in April 2011	2,318	12,723
Put option expiring in December 2008	–	5
Put options expiring in January 2010	8,988	3,321
Put options expiring in April 2011	9,850	4,704
	21,715	31,862
Current assets		
Call option expiring in December 2008	24	–
Put option expiring in December 2008	3	–
	27	–
Non-current liabilities		
Call option expiring in December 2008	–	(6,119)
Call options expiring in January 2010	(8,891)	(28,533)
Call options expiring in April 2011	(12,036)	(29,123)
Put option expiring in December 2008	–	(542)
Put options expiring in January 2010	(30,699)	(12,385)
Put options expiring in April 2011	(27,091)	(13,387)
	(78,717)	(90,089)
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)**	**(58,227)**

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

	Group and Company	
	2008 £'000	2007 £'000
At 30 September 2007	58,227	40,646
Proceeds from new zero coupon finance arrangements	–	15,126
	58,227	55,772
Movement in fair value of zero coupon finance	4,108	2,455
At 30 September 2008	**62,335**	**58,227**

15. Called-up share capital	Ordinary shares of 25p each Number	£'000
Authorised		
At 30 September 2008 & 30 September 2007	**200,000,000**	**50,000**
Allotted, called up and fully paid		
At 30 September 2008	121,413,532	30,354
Held in treasury	528,985	132
	121,942,517	**30,486**

During the year to 30 September 2008 528,985 Ordinary shares of 25p each were repurchased by the Company at a total cost, including transaction costs of £342,000.

In the year all of these shares were placed in treasury. No shares were purchased for cancellation during the year. At the year end 528,985 (2007 – nil) shares were held in treasury, which represents 0.43% of the Company's total issued share capital at 30 September 2008.

16. Share premium account	2008 £'000	2007 £'000
At 30 September 2007 and 2006 respectively	53,205	32,715
Issues of new Ordinary shares within the year	–	20,960
Expenses of issue during year	(1)	(470)
At 30 September 2008 and 2007 respectively	**53,204**	**53,205**

17. Special reserve	2008 £'000	2007 £'000
At 30 September 2007 and 2006 respectively	5,000	5,000
Shares bought back during the year into treasury	(342)	–
At 30 September 2008 and 2007 respectively	**4,658**	**5,000**

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

18. Analysis of capital reserves	Group & Company 2008 £'000	Group & Company 2007 £'000
Realised capital reserve		
At 30 September 2007/2006 respectively	17,097	9,080
Net (losses)/gains on sales of investments during the year	(8,315)	7,330
Finance costs of borrowings (note 5)	(11)	(79)
Tax credit allocated to capital	105	179
Special dividend allocated to capital	–	1,106
Incentive payment (see note 2)	25	–
Investment management fee	(351)	(519)
At 30 September 2008/2007 respectively	8,550	17,097
Investment holdings gains/(losses)		
At 30 September 2007/2006 respectively	5,670	13,916
Fixed asset investment losses	(34,308)	(5,880)
Zero coupon finance costs (note 14)	(4,108)	(2,455)
Movement in fair value of traded option contracts	(61)	89
At 30 September 2008/2007 respectively	(32,807)	5,670
Total capital reserve	**(24,257)**	**22,767**

Revenue reserve	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
At 30 September 2007/2006 respectively	3,619	3,375	2,801	2,548
Transfer to Revenue Account net of dividends	333	358	818	827
At 30 September 2008/2007 respectively	**3,952**	**3,733**	**3,619**	**3,375**

19. Risk management, financial assets and liabilities

Risk management

The Company's objective of providing a high and growing dividend with capital growth is 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 is generated from premiums earned by writing out of the money traded options against assets held in the portfolio and writing put options.

The impact of security price volatility is reduced by diversification. Diversification is by type of security – ordinary shares, preference shares, convertibles and corporate fixed interest and by investment in the stocks and shares of companies in a range of industrial, commercial and financial sectors. The management of the portfolio is conducted according to investment guidelines, established by the Board after discussion with the Manager, which specify the limits within which the Manager is authorised to act.

The Manager has dedicated investment management processes, as disclosed in the Directors' Report on page 17, which ensures that the investment objective explained on page 2 is achieved. Stock selection procedures are in place based on the active portfolio management and identification of stocks. The portfolio is reviewed on a periodic basis by a Senior Investment Manager and also by the Manager's Investment Committee.

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of all core equity, balanced, fixed income and alternative asset classes on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

Additionally, the Manager's Compliance department continually monitors the Company's investment and borrowing powers and reports to the Manager's Risk Management Committee.

The Manager has created a Business Risk department to consolidate risk management functions. The department is responsible for supporting management in the efficient identification of risk and resolution of control issues. The department incorporates Operational Risk, Breaches and Errors Risk Control Management, Counterparty Risk, the Procedures and Business Control teams. The Head of Front Office Risk reports directly to the Manager's Group Head of Risk.

Financial assets and liabilities

The Group's financial assets include investments, cash at bank, AAA money market funds and short-term debtors. Financial liabilities consist of bank loans and overdrafts, other short-term creditors and long-term creditors arising from option contracts.

The main risks the Company faces from its financial instruments are (i) market price risk (comprising interest rate risk and other price risk), (ii) liquidity risk and (iii) credit risk. The Company has no exposure to foreign currency risk as it does not hold any foreign currency assets and has no exposure to any foreign currency liabilities.

(i) Market price 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 two elements – interest rate 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.

Interest rate profile

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

Notes to the Financial Statements continued

As at 30 September 2008	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
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)**

As at 30 September 2007	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000	Non–interest bearing £'000
Assets					
Corporate Bonds	9.46	6.59	35,339	–	–
UK preference shares	–	8.67	11,576	–	–
Zero Coupon Finance	–	–	–	–	31,862
Cash	–	–	–	138	–
Total assets	–	–	**46,915**	**138**	**31,862**
Liabilities					
Short-term bank loan	0.01	6.45	(422)	–	–
Zero Coupon Finance	–	–	–	–	(90,089)
Total liabilities	–	–	**(422)**	–	**(90,089)**

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.

The weighted average interest rate on bank loans is the interest payable.

Maturity profile

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

At 30 September 2008	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
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

At 30 September 2008	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						
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**

At 30 September 2007	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
Fixed rate						
Corporate Bonds	1,000	2,517	2,940	–	5,096	23,786
UK preference shares	–	–	–	–	–	11,576
Short-term bank loan	(422)	–	–	–	–	–
	578	2,517	2,940	–	5,096	35,362

Floating rate	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
Zero Coupon Finance	–	(5,034)	(28,110)	(25,083)	–	–
Cash	138	–	–	–	–	–
	138	(5,034)	(28,110)	(25,083)	–	–
Total	**716**	**(2,517)**	**(25,170)**	**(25,083)**	**5,096**	**35,362**

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 2008 would increase / decrease by £171,000 (2007 – £1,000) 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 2008 would decrease /increase by £525,000 (2007 – decrease /increase by £510,000) 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.

Other price risk

Other price risks (ie 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, as detailed on pages 13 and 17, 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 listed on the London Stock Exchange.

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 2008 would have increased/decreased by £7,120,000 (2007 – increase/decrease of £12,231,000). 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 (note 13).

(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 Investment 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 Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its finding to the Manager's Risk Management Committee.
- 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 Investment Manager of the credit worthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board.
- The main component of the Company's gearing relates to the zero coupon finance raised in the derivatives market. The final liability of the zero coupon finance is pre-determined at the outset of each tranche of zero coupon finance. The zero coupon finance is subject to counterparty risk. The Company places trades through a broker and pledges collateral in support of the net market value of this finance in accordance with commercial practice. Collateral requirements can vary at the option of the broker and the broker's Euronext.LIFFE market clearer. The overall intended effect of the related put and call options which constitute each tranche of zero coupon finance is dependent upon any liability to the Company under each constituent option contract being honoured. The option contracts are traded on Euronext.LIFFE. On-exchange trades go through LCH.Clearnet SA such that the Company is not exposed to the credit risk of the exchange member. The Company manages its collateral obligations on a daily basis; and
- 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 2008 was as follows:

	2008		2007	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	30,965	30,965	37,533	37,533
Zero coupon finance derivatives at fair value	21,715	21,715	31,862	31,862
Current assets				
Zero coupon finance derivatives at fair value	27	27	–	–
Trade and other receivables	298	298	12	12
Accrued income	1,755	1,755	2,202	2,202
AAA money market funds	6,338	6,338	–	–
Cash and short term deposits	10,730	10,730	138	138
	71,828	**71,828**	**71,747**	**71,747**

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 and bank loans and overdrafts included in these financial statements approximate to fair value because of their short-term maturity. Investments held as dealing investments are valued at fair value. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. For details of bond maturities and interest rates, see pages 44 and 45. Traded options contracts are valued at fair value which have been determined with reference to quoted market values of the contracts. The contracts are tradeable on a recognised exchange. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity. The fair value of the zero coupon finance are shown on pages 40 and 41.

Gearing

The Group's gearing comprises both longer and short-term borrowings. Short-term bank borrowing is used from time to time and bears interest at floating rates. 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 main component of the Company's gearing relates to the zero coupon finance raised in the derivatives market. The final liability of the zero coupon finance is pre-determined at the outset of each tranche of zero coupon finance. However the amount charged to capital fluctuates from year to year due to interest rate movements giving rise to interest rate risk. This is managed by investing the proceeds of the zero coupon finance in predominantly investment grade corporate bonds the value of which are also affected by interest rates but in an inverse manner to the zero coupon finance.

The Company augments the zero coupon finance from time to time with short-term borrowings. These borrowings are provided by a major bank. The only covenant in relation to this borrowing facility is that the Company's net assets must exceed £20million. As at 30 September 2008 the net asset value was £68 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 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 (ie 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.

21. Commitments, contingencies and post Balance Sheet events

At 30 September 2008 there were no contingent liabilities in respect of outstanding underwriting commitments or uncalled capital *(2007 – £nil)*.

On 5 November 2007, the European Court of Justice ruled that management fees should be exempt from VAT. HMRC has announced its intention not to appeal against this case to the UK VAT Tribunal and therefore protective claims which have been made in relation to the Company will be processed in due course. The Board is currently in the process of quantifying the potential repayment that should be due. However, the amount the Company will receive, the period to which it will refer, and the timescale for receipt are all uncertain and hence the Company has made no provision in these financial statements for any such repayment.

Marketing Strategy

Glasgow Income Trust plc contributes to the marketing programme run by the Aberdeen Group on behalf of a number of investment trusts under its management in the forthcoming year. Under this agreement the Company's contribution is matched by Aberdeen Asset Managers ("Aberdeen").

The purpose of the Programme is to communicate effectively with existing Shareholders and gain more new Shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor Relations Programme

Aberdeen runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by the Aberdeen Group is distributed free of charge.

Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder Services

Aberdeen runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of Aberdeen's Head of Investor Relations for Investment Trusts, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The Aberdeen Investment Trusts web site contains details of closed end funds and investment companies managed or advised by the Aberdeen Group.

Glasgow Income Trust plc also has its own dedicated website: www.glasgowincometrust.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing Programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its Shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Programme and the Head of Investor Relations for Investment Trusts reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the Aberdeen Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs). Alternatively, internet users may email Aberdeen at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP.

How to Invest in Glasgow Income Trust plc

Direct
Investors can buy and sell shares in Glasgow Income Trust plc directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan, Investment Trust ISA and Investment Trust Pension.

Aberdeen's Investment Plan for Children
Aberdeen runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Glasgow Income Trust plc. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

Aberdeen's Investment Trust Share Plan
Aberdeen runs a Share Plan (the "Plan") through which shares in Glasgow Income Trust plc can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA
An investment of up to £7,200 in Glasgow Income Trust plc can be made in the tax year 2008/2009.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated six monthly and deducted from income. Under current legislation, investments in ISAs can grow free of capital gains tax. Following changes in the way that ISAs and PEPs are regulated from April 2008 PEPs will be treated as Stocks and Shares ISA Accounts.

ISA Transfer
You can choose to transfer previous tax year investments to us which can be invested in Glasgow Income Trust plc while retaining your ISA wrapper. The minimum lump sum for a ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Note
Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

Trust Information

If investors would like details of Glasgow Income Trust Plc or information on the Children's Plan, Share Plan, ISA or ISA Transfers please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP or e-mail at inv.trusts@aberdeen-asset.com. Details are also available on Aberdeen's award winning website www.invtrusts.co.uk.

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times, and other national newspapers.

For internet users, detailed data on Glasgow Income Trust plc, including price, performance information and a monthly fact sheet is available from the Trust's website (www.glasgowincometrust.co.uk) and the TrustNet website (www.trustnet.co.uk). Alternatively you can call 0500 00 00 40 for trust information.

How to Invest in Glasgow Income Trust plc continued

For information concerning your shareholding, please contact

Registrar

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2441*
Textphone: 0871 384 2255*
Website: www.shareview.co.uk

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

Literature Request Service
For literature and application forms for the Manager's investment trust products, please contact:
Telephone: 0500 00 40 00
Email: aam@lit-request.com

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer, please contact:
Aberdeen Investment Trust Administration
Block C, Western House
Lynchwood Business Park
Peterborough, PE2 6BP
Telephone 0500 00 00 40

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority.

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.

Equity gearing is the sum of the investments in ordinary shares and traded options expressed as a proportion of the Group's net assets

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 xd. 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, eg quarter end, half year or year end date.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the twentieth 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 19 December 2008 at 10 am to transact the following business:

Ordinary Business

As ordinary business to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions.

1. To receive the Directors' Report and audited financial statements of the Company for the year ended 30 September 2008 together with the Auditors' Report thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2008.
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-appoint Ernst & Young LLP as auditors of the Company
6. To authorise the Directors to determine the remuneration of Ernst & Young LLP as auditors of the Company.

Special Business

As special business to consider and, if thought fit, pass the following resolution, which is proposed as an Ordinary Resolution:

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

As special business to consider and, if thought fit, pass the following resolution, which is proposed as an Ordinary Resolution:

8. That with effect from the time of the passing of this Resolution the Directors be and are hereby generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 as amended ("the Act"), to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum nominal amount of £10,117,794 being equal to approximately one third of the ordinary shares in issue, to such persons and at such times and on such terms as they think proper provided that this authority shall (unless previously revoked, varied or reviewed by the Company) expire at the conclusion of the next Annual General Meeting or on 18 March 2010 (whichever is earlier) and provided that the Company may, prior to such expiry, make any offer, agreement or other arrangement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities pursuant to any such offer, agreement or other arrangement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred upon the Directors pursuant to Section 80 of the Act, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

As special business to consider and, if thought fit, pass the following resolution, which is proposed as a Special Resolution:

9. That the Directors be and are hereby empowered pursuant to Section 95 of the Act to exercise all powers of the Company to allot equity securities (within the meaning of Section 94(2) of the Act) wholly for cash pursuant to the authority conferred by Resolution 8 considered at this Meeting and/or in respect of an allotment of equity securities by virtue of Section 94(3A) of the Act as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
   (i) the allotment of equity securities in connection with a rights issue or open offer or otherwise where such securities have been offered to the holders of the ordinary shares of 25p each in the capital of the Company in proportion (as nearly as may be) to their respective holdings of such ordinary shares on a record date fixed by the Directors but subject to the Directors having the right to make such exclusions or other arrangements as they deem necessary or expedient to deal with any legal or practical problems under the laws of any territory or the requirements of any regulatory body or any Stock Exchange in any territory or in connection with fractional entitlements; and
   (ii) the allotment (otherwise than pursuant to (i) above) of ordinary shares up to an aggregate nominal amount of £1,517,669 being equal to approximately 5% of the ordinary shares in issue, at a price per share not less than the fully diluted net asset value of an ordinary share in the Company calculated as at the close of business on the immediately preceding business day,

and shall, unless revoked, renewed or varied prior to such time, expire on the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution or on 18 March 2010 (whichever is earlier) but so that this power shall enable the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired and for this purpose words and expressions defined in or for the purpose of Part IV of the Act shall bear the same meanings in this Resolution.

As special business to consider and, if thought fit, pass the following resolution, which is proposed as a Special Resolution:

10. That the Company be and it is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163(3) of the Act) of any of its own ordinary shares in such manner and upon such terms as the Directors of the Company may from time to time determine, provided that:
    (i) the maximum aggregate nominal value of the Ordinary shares hereby authorised to be acquired shall be limited to £4,549,972 being equal to approximately 14.99% of the ordinary shares in issue;
    (ii) the maximum price which may be paid for any ordinary share under this authority shall not exceed an amount equal to 105% of the average of the middle market value of such ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days before the purchase is made and the minimum price which may be paid for any such ordinary share shall be 25p (in each case exclusive of expenses of purchase payable by the Company); and
    (iii) the authority hereby conferred shall expire (unless previously revoked, renewed or varied) at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution or on 18 March 2010 (whichever is earlier), provided that the Company may before such expiry make any contract of purchase for ordinary shares which would or might be executed wholly or partly after the expiry of such authority and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

As special business to consider and, if thought fit, pass the following resolution, which is proposed as a Special Resolution:

11. That the Articles of Association contained in the form produced to the Annual General Meeting and initialled by the Chairman of the Meeting for the purposes of identification be adopted as the Articles of Association of the Company, in substitution for and to the exclusion of, the existing Articles of Association.

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. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or 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.

By Order of the Board
Aberdeen Asset Management PLC
Secretaries
18 November 2008

Notes:

(i) As a Member, you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a Member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A Form of Proxy is enclosed.

(ii) To be valid, any Form of Proxy or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to Equiniti Limited, the Company's Registrars at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR so as to arrive not less than forty eight hours before the time fixed for the Meeting.

(iii) The return of a completed Form of Proxy or other instrument of proxy will not prevent you attending the Meeting and voting in person if you wish to do so.

(iv) In accordance with Regulation 41 of the Uncertified 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 by not later than forty eight hours before the time fixed for the Meeting (or, in the event that the Meeting is adjourned, forty eight hours 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.

(v) As at 4 November 2008, the Company had in issue 121,413,532 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 4 November 2008 is 121,413,532.

(vi) In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate Member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that Member at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Member attends the Meeting but the corporate Member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk –for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

(vii) 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 Disclosure and Transparency Rules.

(viii) The Company proposes to adopt new Articles of Association. They incorporate amendments to the current Articles of Association to reflect certain provisions of the Companies Act 2006 which came into effect in 2007 and 2008. Because the 2006 Act will not be fully in force until October 2009, and so it is not yet possible to amend the Articles of Association to reflect all the changes to be made by the 2006 act, it is expected that shareholders will be asked to approve further changes to the Articles of Association at the next annual general meeting. For a more detailed explanation of the amendments, please refer to the Appendix to this Notice of Meeting. A copy of the current Articles of Association and of the proposed new Articles of Association will be on display at the Company's registered office and at the office of the Manager at One Bow Churchyard, London EC4M 9HH during normal business hours until the conclusion of the meeting.

(ix) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection at the Company's registered office and at the office of the Manager at One Bow Churchyard, London EC4M 9HH and for 15 minutes prior to, and at, the meeting.

(x) The Register of Directors' Interests kept by the Company in accordance with section 325 of the Companies Act 1985 will be open for inspection at the meeting.

Appendix

Summary of the changes to the Articles of Association of the Company

This summary sets out the principal differences between the Existing Articles and the New Articles. Those differences set out immediately below are recommended as a result of the implementation of the 2006 Act.

Directors' conflicts of interests
The 2006 Act sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the 2006 Act, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests, or otherwise ensure that such conflict is approved by shareholders in general meeting. This requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts of other directors where the articles of association contain a provision to this effect.

It is therefore proposed that the New Articles will have an effective provision which will give the directors authority to approve such conflicts of interest. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The independent directors will be able to impose limits or conditions when giving authorisation of which they think is appropriate.

The New Articles contain provisions to ensure that a director must not impart confidential information in respect of the matter which gives rise to a conflict of interest or potential conflict of interest, if under a duty of confidentiality to another company. They also contain provisions stating that a director need not participate in board discussions or consider board papers in respect of the matter which gives rise to a conflict of interest or potential conflict of interest. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors in accordance with the 2006 Act.

Electronic Communications
The 2006 Act provisions governing communications in electronic form with shareholders came into force in January 2007. As a consequence, a company may communicate with shareholders using electronic and/or website communications to send or supply documents or information to its shareholders, including as a default option.

The provisions in the 2006 Act relating to electronic communications apply automatically to all types of company communications made pursuant to the 2006 Act provided there is provision in the relevant company's articles of association or if shareholders have specifically resolved that the company may send or supply documents or information via a website. In order to communicate as a default option, Shareholders must also have been asked individually by the Company to agree that the Company may send or supply documents or information to them by means of a website and the Company must have also either received a positive response or received no response from the Shareholder with the period of 28 days from when the request was made by the Company.

Whilst the Company does not have immediate plans to communicate electronically with Shareholders, the Directors would like to take full advantage of the freedom to use electronic communications with Shareholders in the future. This will enable the Company to reduce costs, reduce the environmental impact of the business and generally enhance the level and quality of communications with Shareholders. As a consequence, the New Articles will contain provisions enabling the Company to implement the electronic communications regime contained in the 2006 Act at some future date.

Therefore the authority in the New Articles will not force either the Company or any individual Shareholders to send or receive any notices, documents or information (including annual accounts and circulars) by electronic means. It will, however, allow the Company to approach Shareholders in the future for their individual agreement to use electronic mail and/or publication on its website for Company communications. It is the Board's intention that it will, in due course, approach Shareholders for their individual agreement to use either electronic mail and/or publication on the Company's website of Company communications. At such time, Shareholders should ensure that they read any such a request letter carefully and follow the instructions set out in it. Although the application of the new regime would mean that in certain circumstances Shareholders would be deemed to have opted-in to the regime, the Directors would prefer that the Shareholders opt-in voluntarily to the regime, and therefore intend to send documentation to Shareholders on this basis.

Shareholder Meetings
The New Articles reflect the fact that the 2006 Act does not contain any references to extraordinary general meetings of Shareholders. Under the 2006 Act, any meeting other than an annual general meeting is simply classified as a general meeting. The provisions in the Existing Articles dealing with the convening of general meetings and length of notice required to convene general meetings have now been amended to conform to new provisions in the 2006 Act. In particular, a general meeting to consider a special resolution may be convened on 14 days clear notice whereas previously, 21 clear days notice was required.

Form of Resolution
References in the Existing Articles to "extraordinary resolutions" have been replaced by references to "special resolutions" in the New Articles. The distinction between special and extraordinary resolutions under the old law, that 21 days' notice was required for a special resolution and only 14 days' notice for an extraordinary resolution, has been removed. The concept of extraordinary resolutions has not been retained under the Companies Act 2006.

Proxies
The 2006 Act now provides that Shareholders can appoint multiple proxies provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the Shareholder. Proxies can also speak at general meetings. In addition, the 2006 Act provides that proxies have the same right to vote on a show of hands as Shareholders. The New Articles therefore contain amendments to reflect these provisions.

Transfers of shares
The 2006 Act provides that if the Directors refuse to register a transfer, then in addition to sending the purported transferee notice of refusal, the Directors must also give reasons for the refusal and any further information about such reasons that the purported transferee may reasonably request. The Existing Articles have therefore been amended in this regard.

Directors' indemnities
The New Articles widen the scope of the previous indemnity provisions of the Articles of Association to reflect the Companies (Audit, Investigations and Community Enterprise) Act 2004. The Existing Articles allowed the Company to provide an indemnity to cover directors' or other officers' liabilities incurred in defending any proceedings relating to an act or omission of such director where judgment is then given in such director's favour or he is acquitted. The New Articles now widen the scope of the indemnity so that an indemnity can be given to directors (or other officers) in respect of any proceedings, provided that certain conditions are satisfied, and the Company can pay directors costs of defending proceedings as they are incurred. If a director is convicted in criminal proceedings or judgement is given against him in civil proceedings then the director is liable to repay the monies advanced by the Company.

The reference to the indemnification and purchase of insurance for Auditors has been removed in the New Articles, in line with best practice.

In addition to the changes summarised above, a number of other changes are included in the New Articles to reflect the new style of articles and to reflect current market practice, none of which are material and include (but are not limited to):

Scrip Dividends - the Company now has power to offer shareholders the right to elect to receive further shares in the Company instead of a cash dividend, subject to being authorised by an ordinary resolution of the Company. There is no current intention to utilise this power.
Uncertificated Securities - the New Articles reflect the fact that the Company's securities can be issued and transferred through CREST or any other such system as the Company in its discretion should choose.
General Meetings provisions - these have been amended to permit Directors to allow shareholders to attend general meetings by satellite and be counted in the relevant quorum at such a meeting.
Polls - a demand for a poll can only be withdrawn before such poll is taken with consent of the Chairman. The Chairman may now direct the manner in which a poll is taken (i.e. by ballot or electronic voting) and may adjourn the meeting to another place or time for the purpose of declaring the poll result.
Summary Financial Statements - Directors may now send a summary financial statement to shareholders rather than forwarding a copy of the Annual Report. However the Company must provide Shareholders who then wish to receive the full version of the Annual Report with a copy.

Corporate Information

Manager
Aberdeen Asset Managers Limited
40 Princes Street
Edinburgh
EH2 2BY

Secretary and Registered Office
Aberdeen Asset Management PLC
40 Princes Street
Edinburgh
EH2 2BY
Registration Number: 3106339

Auditors
Ernst & Young LLP

Solicitors
Maclay Murray & Spens LLP

Bankers
HSBC Bank Plc

Dickson Minto W.S. which is regulated by the Financial Services Authority, has given and not withdrawn its written consent to the issue of this document and the inclusion of its name and references to it in the form and context in which they appear.

Registrars and Transfer Office
Equiniti Limited (formerly Lloyds TSB Registrars)
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Telephone 0871 384 2030

Company Registration Number
111955 (Scotland)