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F&C Income Growth Investment Trust PLC

(formerly Foreign & Colonial Income Growth Investment Trust PLC)

Report and Accounts 2002

The objective of F&C Income Growth Investment Trust is to secure a high rate of total return from long-term income growth greater than the rate of UK inflation and capital growth greater than the FTSE 350 Index.

About your Company

Our objective at F&C Income Growth Investment Trust PLC is to secure a high rate of total return for our shareholders. We aim to achieve this return from long-term income growth greater than the rate of UK inflation and capital growth greater than the FTSE 350 Index. We do so by investing solely in large- and medium-sized UK companies.

Our shares give investors a yield higher than the stock market index, and we aim to grow the dividend ahead of the rate of inflation every year.

F&C Income Growth believes in diminishing the risk of stock market investment by spreading the investment over a number of stocks. Our low-cost savings products and diverse portfolio allow us to offer investment opportunities to as many people as possible.

Our success partly derives from F&C Income Growth's status as an investment trust. This gives us a number of advantages over other forms of savings – for example:

- The ability to take a long-term view and to ride out difficult conditions.
- The ability to buy back our shares to enhance net asset value.
- Spread. We own shares in more than 90 companies in the UK.
- The freedom to borrow money to invest to improve returns to shareholders.
- Unlike unit trusts we are not subject to redemptions and subscriptions which complicate the management of the portfolio.
- Charges are typically lower than for comparable unit trusts.

We aim to use these advantages to make more money for our shareholders. In addition, we also have other strengths:

- **Innovation.** We use advanced technology to enhance our returns, offer better service to our shareholders and make F&C Income Growth as open and accessible as possible.
 - **Number of shareholders.** The vast majority of the Company's shares is owned by individuals.
 - **Size.** With assets of £60 million, F&C Income Growth is well placed to take rapid advantage of investment opportunities.
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Summary of Results

Attributable to equity shareholders	31 Mar 2002	31 Mar 2001	% change
Net assets	£60.79m	£59.18m	+ 2.7
Net assets per share	151.94p	149.34p	+ 1.7
Net assets per share (diluted)†	147.41p	144.61p	+ 1.9
Net revenue before tax	£1.62m	£1.67m	- 3.0
Earnings per share	4.06p	4.16p	- 2.4
Dividends per share	4.05p	3.95p	+ 2.5
Ordinary share price	141.50p	123.75p	+ 14.3
Warrant price	43.00p	26.00p	+ 65.4

† Calculated per Association of Investment Trust Companies' method.

Company Registration Number: 2895991

Financial calendar

Annual General Meeting	28 June 2002
Final dividend payable	1 July 2002
First interim dividend payable	20 September 2002
Half-year results for 2002/2003 announced	November 2002
Second interim dividend payable	20 December 2002
Third interim dividend payable	March 2003
Final results for 2002/2003 announced	May 2003

Chairman's Statement

Market conditions were once again very difficult last year, but I am glad to report that the Company performed well. Diluted net asset value (NAV) per share (as calculated by the method used by the Association of Investment Trust Companies) rose 1.9% over the year to 31 March 2002 to 147.4 pence and the share price increased by 14.3% to 141.5 pence. Over the same period the FTSE 350 Index fell 5.5%.

The Company has also achieved its income objective with a dividend increase greater than the rate of inflation. The Directors are recommending a final dividend of 1.55 pence (net) per share to give a total for the year of 4.05 pence, an increase of 2.5% over the prior year.

Capital Performance

Equity markets performed poorly last year as a slowdown in world economic growth resulted in lower corporate profits. In addition to the weak economic background, the terrorist attacks of 11 September caused a sharp fall in market levels. Concerted cuts in interest rates and initial success in the military campaign in Afghanistan helped confidence, economies and stock markets to recover partially during the second half of our financial year.

The impact of the speculative bubble in the telecommunication, media and technology sectors continued to be felt last year. Although the bubble burst in March 2000, these three sectors were again amongst the weakest performers. The portfolio had a relatively low weighting in these sectors and much greater exposure to "old economy" sectors, such as tobacco, construction and beverages. This proved beneficial, bringing about another year of stronger performance than the FTSE 350 Index. Returns over the last two years have more than recouped less good results during the previous three years, such that net assets have grown faster than the Index over the last five years.

As well as good results relative to the Index, it is also encouraging to note that the Company's performance is ahead of the average of all investment trusts within its UK Growth and Income peer group over one and five years.

The Manager's report contains details of the portfolio and its performance as well as a review of the stock market.

Dividend and Yield

The Company's proposed payment of a final dividend of 1.55 pence per share gives a total dividend for the year of 4.05 pence per share, which is fully covered by income, and a rate of growth in the total dividend of 2.5%; this is greater than the rate of underlying inflation, which was 2.3% for the year to March. The Company has maintained its record of having beaten its income objective every year since launch. In the last seven years the Company's dividend has grown by 24.6% whilst inflation has risen by only 18.1%.

The other comparative that is useful when assessing the dividend increase is the growth of dividends from the FTSE 350 Index. As a result of a large number of dividend cuts, including British Airways, BT and Marks & Spencer, the implied dividend on the FTSE 350 Index fell by 0.2% over the year to 31 March 2002. Thus, although an increase of 2.5% may not be large in absolute terms, it is better than both inflation and the stock market generally.

As well as producing enhanced dividend growth, the shares in this Company also have a dividend yield greater than that of the FTSE 350 Index. At the year end, the yield on the shares was 2.9% net, while the yield on the FTSE 350 Index was only 2.7% net. Gross investors, such as those who hold their shares in an Individual Savings Account or a Personal Equity Plan, are entitled to a 10% tax credit on the dividend payment.

Discount to Net Asset Value and Share Price Performance

There has been a further substantial reduction in the discount over the last year as the share price has moved to trade much closer to the underlying NAV. At 31 March 2002, the shares traded at a discount of 4.0% to NAV having been at a discount of 14.4% one year previously. The narrowing of the discount reflects how sentiment has improved towards this Company as performance has strengthened.

As a result of the narrowing discount and good capital performance, share price performance has been considerably better than the Index over one, three and five years.

Share and Warrant Buy Backs

During the year under review, no shares or warrants were purchased. As is evident from the narrowing of the discount over the last two years, the balance of supply and demand in the Company's shares has improved from a shareholder's perspective, and thus there has been no need for any buy backs. However, it is very useful for the Company to have the ability to carry out share and warrant buy backs in the event that the discount widens again, and therefore, at the Annual General Meeting the Directors will again be seeking to renew shareholders' approval for share buy backs.

Chairman's Statement (continued)

Annual General Meeting

This year's Annual General Meeting will be held on Friday, 28 June at 2.30 pm. There will be a presentation by the Manager on investment policy and future prospects and I hope to welcome as many of you to the meeting as possible.

Prospects

There are now many indications that the worst may be over for the major world economies as the impact of lower interest rates feeds through to bolster growth, although uncertainty remains about the future volatility of energy prices. In the first stage, companies have moved to rebuild inventories, but once this has occurred, drivers of longer-term growth will be needed to maintain momentum. These can either come from consumer expenditure, or capital investment in either the public or private sector. Low interest rates have persuaded consumers to take on record levels of debt and as a result it seems unlikely that consumers will be able to increase levels of spending rapidly from this point. Companies are suffering from over-capacity and poor pricing power in many sectors, and this is leading to weak levels of profitability and therefore a reduced ability to make new investment. For these reasons, it is likely that economic growth will be relatively slow. However, even if this is the case, it should still be possible to generate good capital performance and dividend growth from careful stock and sector selection, with the help of our proven fund management team.

Robin Herbert
17 May 2002

Manager's Review

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Review of the Stock Market

The economic background to last year was not favourable for stock markets as growth in the UK and most other major economies slowed despite consumer expenditure increasing at a rapid pace. Corporate investment and expenditure, particularly in what used to be called the "new economy" sectors of technology, media and telecommunications, were cut back heavily. This was in response to over-capacity built up during the boom years, declining sales and profits, and collapsing share prices. In order to avert a recession and re-stimulate economic growth, the Bank of England's Monetary Policy Committee cut interest rates six times over the year to March 2002 taking interest rates from 5.75% to 4.0%.

The effect of the weakening economic environment was exacerbated by the impact of the terrorist attacks on 11 September. Although the direct financial impact of the attacks was enormous, there was an even wider significance from the temporary loss of confidence. This resulted in most world stock markets reaching a low point just before the end of September. At this point the UK market was 21% lower than at the end of March. Further interest rate cuts and initial success in the military campaign in Afghanistan brought about a recovery in stock markets, such that at the end of March 2002, the FTSE 350 Index was only 5.5% lower than one year previously.

The poor background and fragile confidence have resulted in many companies failing to maintain sales and profits. As a consequence of this, well over 100 companies within the UK stock market have cut or omitted their dividends, worth more than £2.7 billion, over the last year. These cuts have come from companies operating in a wide range of industries, although BT is by far the most significant, and have brought about a fall of 0.2% in the implied dividend from the FTSE 350 Index.

Sector Performance: Representations of "Old" and "New Economy"

Sector	2000	Year to March 2001	2002	Net Change 1999 to 2002
FTSE Tobacco	(27.7)%	43.1%	38.0%	42.7%
FTSE Construction	6.0%	32.3%	22.1%	71.3%
FTSE Beverages	(20.1)%	32.3%	21.9%	28.8%
FTSE Telecommunications	48.8%	(52.5)%	(35.7)%	(54.5)%
FTSE Software	129.3%	(67.0)%	(46.5)%	(59.5)%
FTSE IT Hardware	281.2%	(59.6)%	(55.5)%	(31.4)%

Source: Datastream

Manager's Review (continued)

Investment Portfolio

A commentary on the portfolio and the most significant holdings are contained in the Investment Portfolio by Sector and the description of the Twenty Largest Equity Holdings following this review. There were few changes to the portfolio during the year as it was decided the balance and composition of the portfolio remained correct for the market and economic environment, and given the relative valuations of individual stocks. In total, purchases for the year were only £5.5 million, approximately 9% of the portfolio's value at the year end.

The portfolio benefited from individual stock selection and asset allocation at a sector level. Amongst the best performing stocks were Tomkins, the engineering conglomerate (+75%), Imperial Tobacco (+71%), Signet, the jewellery retailer (+70%) and Rexam, a maker of beverage cans and plastic packaging (+59% from purchase). Unfortunately, the portfolio also contained Cordiant Communications, the media agency (-62%) and Cable & Wireless (-53%). Overall, however, the decision to have only a very small exposure to the telecommunication sector, and in particular to Vodafone (-33%) was one of the main reasons for the resilient performance.

Investment Strategy

Our investment strategy with which we manage the portfolio remains basically unchanged. Investments for the portfolio are chosen on the basis of the prospects for the company and its industry, and the price of the company's shares relative to the prospects. This leads the portfolio to be run on a contrarian basis; we aim to invest in companies with good long-term prospects, but whose share prices are depressed by adverse short-term sentiment, either because of current difficulties, or simply because they are unfashionable. Given the Company's requirement to generate a high starting yield and growing dividend to shareholders we also pay close attention to the dividend yield of our investments, which are often significantly above that of the Index. We are also keen to make sure that attention to dividend income is not to the detriment of capital growth and there is flexibility within the portfolio to hold a number of shares with little or no dividend income.

The underlying rationale for our investment philosophy is the belief that stock market valuations are much more volatile than changes in the underlying worth of a company, but over the long-term share prices must reflect the intrinsic value. This approach can result in periods of underperformance if market values remain out of line with underlying worth, but over the longer-term this process should generate

superior results. The experience of the last five years has borne this out as growth in the portfolio during the years leading up to the peak of the speculative bubble was slower than the benchmark, but performance over the last two years has more than made up for this. Results and experience over this period reinforce the necessity for critical, unbiased valuation-based investment analysis and portfolio management.

Although activity has been at low levels over the last three years, we are continually analysing the balance of the portfolio, looking at both existing holdings and other shares we do not currently own as potential areas for investment. The considerable share price changes that have occurred over the last two years may have thrown up some interesting opportunities, but at present, we have not found enough value in shares outside of the existing portfolio to shift significantly the current balance.

Julian Cane
17 May 2002

Twenty Largest Equity Holdings at 31 March 2002

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This Year	Last Year	Company Description	Market Value £'000s	% of Total Investments
1	(2)	GlaxoSmithKline The merger of Glaxo Wellcome and SmithKline Beecham strengthened the positions of these leading pharmaceutical companies and will bring material cost savings.	4,135	6.9
2	(1)	BP Amoco Following significant acquisitions in recent years, this is the world's largest integrated oil company and has scope to benefit from considerable synergies.	4,125	6.8
3	(4)	HSBC Holdings Broadly diversified international bank operating in many developed and emerging markets around the world with a growing business in personal wealth management.	2,598	4.3
4	(3)	Shell Transport & Trading Leading international oil exploration, production and marketing group which has a strong balance sheet, an attractive yield and scope for efficiency increases.	2,353	3.9
5	(5)	Barclays Bank Retail and commercial bank with relatively new management that is well placed to reduce its own cost base.	1,823	3.2
6	(8)	Liberty International This is the owner of many of the leading out-of-town shopping centres in the UK.	1,705	2.8
7	(7)	AstraZeneca International pharmaceutical company with prospects underpinned by its new product pipeline. A possible participant in the consolidation of the industry.	1,674	2.8
8	(10)	Scottish & Southern Energy A well-managed multi-utility group with an attractive dividend yield and strong commitment to dividend growth.	1,496	2.4
9	(11)	The Royal Bank of Scotland The bank is clearly benefiting from its takeover of the National Westminster Bank, where it is making significant improvements.	1,446	2.4
10	(6)	HBOS Formed from the merger of Bank of Scotland and Halifax, this retail and commercial bank has a strong regional and consumer franchise and the potential for cost reductions.	1,441	2.4
11	(14)	Diageo The group is refocusing on its drinks operations and there are further cost reductions to come as it merges its spirit division with Guinness brewing.	1,423	2.3

This Year	Last Year	Company Description	Market Value £'000s	% of Total Investments
12	(15)	British American Tobacco A leading international manufacturer and distributor of cigarettes. It has benefited from the merger with Rothmans.	1,350	2.2
13	(9)	Johnson Matthey Chemical company with strong positions in catalysts and precious metal processing. It also has an interesting position in developing the technology behind fuel cells.	1,255	2.0
14	(-)	Signet Group US and UK jewellery retailer delivering good sales, profit and dividend growth.	1,110	1.8
15	(16)	Allied Domecq After corporate restructuring, spirits and wine operations now generate the vast majority of profit.	1,032	1.7
16	(18)	Scottish & Newcastle Following the acquisition of Kronenbourg and Hartwall and the disposal of CenterParcs, this is a leading international brewer.	1,008	1.7
17	(19)	Lloyds TSB Group High street bank with a concentration on better quality retail assets. It has an impressive record of cost efficiency and profit and dividend growth.	916	1.5
18	(-)	Associated British Ports Leading port owner and operator in the UK.	912	1.5
19	(12)	Vodafone Airtouch The world's leading mobile telephone provider with a strong international network.	871	1.5
20	(20)	United Utilities Multi-utility group with relatively new management that is looking to realise value from the disposal of non-core operations and has an interesting outsourcing operation.	855	1.4

The value of the twenty largest equity holdings represents 55.5% (31 March 2001: 55%) of the Company's total investments.

Investment Portfolio by Sector

	% of Portfolio	% of FTSE 350 Index
Resources	13.8	17.4
The largest holdings in this sector remain BP and Shell. After strong share price performance we reduced the holdings a little in Shell, Enterprise Oil and Lonmin. Continuing the trend of takeovers of oil exploration and production companies, Enterprise Oil has received a corporate bid.		
Basic Industrials	5.3	3.1
There were a number of changes in this sector's holdings as Blue Circle was taken over at the start of the year, Wolseley and Scapa were both sold completely and some profits were taken from Johnson Matthey. Novar, which used to be called Caradon, was a new addition.		
General Industrials	2.4	2.4
The only holdings in this sector are engineering companies. There was a small addition to the existing investment in Cookson, while reductions were made to two of the larger holdings in Invensys and Tomkins.		
Cyclical Consumer Goods	-	0.2
This is a tiny sector, covering automobiles and household goods and textiles. There is no investment in these areas.		
Non-Cyclical Consumer Goods	22.8	19.6
The pharmaceutical companies, GlaxosmithKline and AstraZeneca, are the largest holdings in this sector, although the portfolio also has relatively large positions in the drinks companies, Allied Domecq, Diageo and Scottish & Newcastle and the tobacco companies, British American Tobacco, Gallaher and Imperial. Cadbury Schweppes is a new addition.		
Cyclical Services	17.9	14.3
This sector experienced the most change with purchases and sales both amounting to £1.5m. The major additions were Emap, a magazine publisher, Rexam, a beverage can and specialist packaging manufacturer, Wolverhampton & Dudley Breweries, and Exel, a logistics company. The major disposals were the hotel operator, Hilton Group, P&O Princess Cruises and Marks & Spencer.		

Investment Portfolio by Sector (continued)

	% of Portfolio	% of FTSE 350 Index
Non-Cyclical Services	4.0	10.8
<p>This sector contains the odd pairing of the telecommunication companies and food retailers. The dominant feature of the portfolio remains its low weighting in the telecommunication sector relative to the index. More shares were sold in BT in July of last year, but at the end of the year, there was a small addition to Vodafone following a sharp fall in its share price. Tesco is a new addition, funded by a partial reduction in Sainsbury.</p>		
Utilities	6.7	4.0
<p>The only changes made to the investments in this sector were the purchase of a new holding in National Grid and the reduction of half the holding in International Power.</p>		
Financials	24.7	26.7
<p>This is the largest single sector in the portfolio, covering banks, insurance, fund management and property companies. Additions were made to HSBC and Alliance & Leicester and new holdings started in Friends Provident and Aberdeen Asset Management. The investment in HBOS, formed from the merger of Bank of Scotland and Halifax, was reduced, while Britannic was sold completely.</p>		
Information Technology	0.2	1.2
<p>The portfolio continued to have only a very small exposure to this sector. A new investment in Spirent, a supplier to the telecommunications industry, was started during the year, but was also sold as it became clear that any recovery was still a long way off.</p>		
Fixed Interest and Cash	2.2	n/a
<p>There were no changes to the fixed interest element of the portfolio during the year. The change in cash reflects normal trading activities during the year.</p>		

List of Investments

Listed Investments	Holding	31 March 2002 Value £'000s
Equities		
RESOURCES		
BG Group	108,626	331
BP Amoco	660,000	4,125
Cairn Energy	94,000	265
Enterprise Oil	30,000	189
Lonmin	25,200	300
Rio Tinto	50,000	694
Shell Transport & Trading	450,000	2,353
Xstrata	6,200	62
Total Resources		8,319
BASIC INDUSTRIALS		
Bellway	145,000	711
Croda International	125,000	324
Elementis	450,000	128
Johnson Matthey	120,000	1,255
Novar	250,000	368
RMC Group	60,000	400
Total Basic Industrials		3,186
GENERAL INDUSTRIALS		
Cookson Group	180,000	176
Enodis	100,000	89
Enodis NP	60,000	23
FKI	165,000	318
Invensys	100,000	124
Spirax-Sarco Engineering	49,000	222
Tomkins	200,000	517
Total General Industrials		1,469
NON-CYCLICAL CONSUMER GOODS		
Allied Domecq	240,000	1,032
AstraZeneca	48,000	1,674
British American Tobacco	200,000	1,350
Cadbury Schweppes	60,000	291
Diageo	155,000	1,423
Gallaher Group	115,000	621
GlaxosmithKline	250,000	4,135
Imperial Tobacco	57,000	661
Northern Foods	400,000	698
Nycomed Amersham	60,000	461
Scottish & Newcastle	180,000	1,008
Shire Pharmaceuticals Group	25,000	136
Unilever	30,357	170
Total Non-Cyclical Consumer Goods		13,660

Listed Investments	Holding	31 March 2002 Value £'000s
CYCLICAL SERVICES		
Aegis Group	421,000	526
Arriva	100,000	356
Associated British Ports	200,000	912
BAA	110,000	701
Bunzl	100,000	530
Compass Group	61,885	291
Cordiant Communications	100,000	94
De La Rue	102,000	473
De Vere Group	166,666	592
Dixons Group	78,095	204
Electrocomponents	40,000	191
EMAP	50,000	412
EMI Group	60,000	217
Exel	30,000	261
Granada	55,579	76
Great Universal Stores	67,000	467
Kingfisher	75,454	292
Peninsular & Oriental Steam Navigation Deferred Stock	80,000	199
Reuters Holdings	55,000	298
Rexam	100,000	483
Selfridges	110,000	375
Signet Group	925,000	1,110
Six Continents	17,760	132
Tesco	100,000	241
Trinity Mirror	48,750	238
Whitbread	60,000	390
Wincanton	70,000	145
Wolverhampton & Dudley Breweries	42,372	288
Woolworths	83,000	39
WS Atkins	35,000	211
Total Cyclical Services		10,744
NON-CYCLICAL SERVICES		
British Telecommunications	220,000	616
Cable & Wireless	80,000	179
MMO ₂	220,000	150
Sainsbury (J)	170,000	679
Vodafone Group	671,159	871
Total Non-Cyclical Services		2,495

List of Investments (continued)

Listed Investments	31 March 2002	
	Holding	Value £'000s
UTILITIES		
AWG	140,000	736
International Power	130,000	277
Lattice Group	180,000	314
National Grid	80,000	371
Scottish & Southern Energy	220,000	1,496
United Utilities	140,000	855
Total Utilities		4,049
FINANCIALS		
Aberdeen Asset Management	50,400	135
Alliance & Leicester	70,000	627
Barclays Bank	84,000	1,823
CGNU	70,000	519
Friends Provident	147,727	288
HBOS	190,000	1,441
HSBC Holdings	320,000	2,598
Land Securities	83,000	741
Legal & General	440,000	711
Liberty International	300,000	1,705
Lloyds TSB Group	127,000	916
Provident Financial	100,000	718
Prudential	90,000	637
The Royal Bank of Scotland	80,000	1,446
The Special Utilities Investment Trust		
Income Shares	250,000	159
Standard Chartered	49,600	380
Total Financials		14,844
INFORMATION TECHNOLOGY		
Computacenter	40,000	144
Total Information Technology		144
TOTAL EQUITIES		58,910

Listed Investments	31 March 2002	
	Holding	Value £'000s
Bonds		
Treasury 8.5% 2005	750,000	828
Treasury 8.5% 2007	400,000	457
TOTAL BONDS		1,285
TOTAL INVESTMENTS		60,195

The number of investments in the portfolio is 94 (2001 – 87)

The value of convertible securities in the portfolio is £nil (2001 – £nil)

Directors

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Robin Herbert CBE, Chairman

Chairman of Leopold Joseph Holdings PLC. He is also chairman of Investors Capital Investment Trust plc, a director of Grainger Trust plc and a former director of F&C Smaller Companies PLC. He was formerly deputy chairman of Consolidated Gold Fields PLC and a director of National Westminster Bank PLC and Marks and Spencer PLC. Appointed to the Board in 1994. Age 68.

Michael Beckett

Chairman of Horace Clarkson Plc, Watts Blake Bearne & Co. plc and Ashanti Goldfields PLC. He is a director of The Egypt Trust, BPB PLC and Queens Moat Houses PLC. Appointed to the Board in 1994. Age 65.

The Viscount Churchill OBE

He is a director of Charter Pan-European Trust PLC and is a Church Commissioner. He was also managing director of OCLA Investment Management Limited until 1999. Appointed to the Board in 1994. Age 67.

John Emly

Investment director of the Civil Aviation Authority Pension Scheme, following a career spanning 25 years at Flemings, the London-based international investment bank. He is a director of JPMorgan Fleming Mid-Cap Investment Trust PLC and Shaftesbury PLC and is honorary treasurer of The Scout Association. Appointed to the Board in 2001. Age 60.

Peter Wilmot-Sitwell

Chairman of Merrill Lynch World Mining Trust PLC and a non-executive director of Close Brothers PLC. He was chairman of SG Warburg Securities Ltd and a vice-chairman of SG Warburg Group PLC until 1994. Appointed to the Board in 1994. Age 67.

All Directors are independent.

All Directors are members of the Audit Committee.

Management

Julian Cane Manager

He joined F&C in 1993 after training with The Mitsubishi Bank and has been the Manager since March 1997. Age 32.

Robert Dowdall

Director of Finance for F&C Management Limited. He joined F&C in 1990. Age 55.

Nick Pitt-Lewis

Director of Compliance and Legal for F&C Management Limited. He joined the F&C in 1992. Age 48.

Sally Cox

Carries out the company secretarial duties on behalf of F&C Management Limited. She joined F&C in 2000. Age 32.

Investment Manager, Secretary and Registered Office

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Member of The Association of
Investment Trust Companies

The Directors present their report
and the financial statements of the Company
for the year ended 31 March 2002

Report of the Directors

Status of Company

The Company is an investment company as defined by Section 266 of the Companies Act 1985.

The Company carries on the business of an investment trust and has conducted its affairs during the year under review, and subsequently, so as to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The last accounting period for which the Company has been treated as approved by the Inland Revenue was for the year ended 31 March 2001. This approval is subject to there being no subsequent enquiry under Corporate Tax Self-Assessment. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain Section 842 approval.

The Company's shares are eligible for inclusion in an Individual Savings Account ("ISA") and are also eligible as an investment for Private Equity Plan ("PEP") transfers.

Note 1 on the accounts contains full details of the accounting policies adopted.

Review of the Business

A review of the Company's activities is given in the Chairman's Statement on pages 2 to 4 and in the Manager's Review on pages 5 to 6.

Name of Company

At the Annual General Meeting held on 25 June 2001, it was resolved that the name of the Company be changed from Foreign & Colonial Income Growth Investment Trust PLC to F&C Income Growth Investment Trust PLC. This change became effective on 26 June 2001.

Capital

On 31 July 2001, 132 holders of the Company's warrants exercised their right to subscribe for a total of 379,041 ordinary shares at the fixed subscription price of 100p per share.

The annual notice reminding warrant holders of their subscription rights will be sent out towards the end of June.

Substantial Share Interests

At 17 May 2002 the Company had received notification of the following holdings of more than 3% of its ordinary share capital:

	Ordinary Shares of 25p each	%
F&C Management Limited *	22,234,655	55.57

* Held on behalf of non-discretionary participants in the F&C Savings Plans.

Results and Dividends

Attributable to equity shareholders:

	£'000s	£'000s
Revenue return attributable to equity shareholders		1,620
Dividends paid or payable on ordinary shares:		
First interim of 0.80p per share paid on 20 September 2001	(320)	
Second interim of 0.85p per share paid on 20 December 2001	(340)	
Third interim of 0.85p per share paid on 20 March 2002	(340)	
Proposed final of 1.55p per share payable on 1 July 2002	(620)	(1,620)
Amount transferred to revenue reserve		-

Directors

The Directors of the Company are detailed on page 13. All the Directors held office throughout the year under review. Mr O N Dawson retired at the Annual General Meeting held on 25 June 2001. The Directors retiring by rotation are Mr R A E Herbert, The Viscount Churchill and Mr P S Wilmot-Sitwell who, being eligible, offer themselves for re-election.

No Director has a service contract with the Company. Details of the Directors' shareholdings in the Company and their interests in contracts and agreements are contained in note 5 on the accounts.

Management

Note 3 on the accounts provides details of the Company's management agreement with F&C Management Limited (the "Manager").

The F&C group has arrangements under which stockbrokers pay for various investment services used by the group in return for stated amounts of commission. The

Report of the Directors (continued)

Manager's policy is that this commission should be within a range of 10% and 15% of total commissions paid by clients of the group in any one year.

Policy on Payment of Suppliers

The Company's principal supplier is the Manager which is paid in the month following the end of each calendar quarter, in accordance with the terms of the management agreement. Other suppliers are paid in accordance with individual payment terms agreed with each supplier.

At 31 March 2002, the Company's outstanding trade creditors were equivalent to three days' payments to suppliers.

Duration of the Company

At the Annual General Meeting in 2003, a resolution will be put to shareholders which, if carried, will enable the Company to continue as an investment trust. Further continuation votes will be proposed at each subsequent fifth Annual General Meeting.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board has considered the principles set out in the Combined Code on Corporate Governance issued by the London Stock Exchange (the "Code") and believes that the Company's current practice, given the special circumstances of an investment trust company, is in all material respects consistent with the principles of the Code. Save for the exceptions detailed below, the Company complied throughout the year under review with the provisions set out in Section 1 of the Code.

The Board reviews the independence of its members and is currently comprised of five non-executive Directors, all of whom are independent of the Company's Manager. There is no Chief Executive position within the Company. The Board does not believe it is necessary to appoint a senior independent Director and has not done so. Consequently, the Company does not comply with the Code in this respect.

All of the Directors of the Company are resident in the UK and their biographical details on page 13 of this annual report demonstrate the wide range of skills and experience that they bring to the Board. New appointees to the Board are given a preliminary briefing on the workings of the Company by the Chairman, the Manager or other appropriate persons.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews management, investment and marketing performance as well as other high level management information including financial reports and other reports of a strategic nature. It monitors compliance with the Company's objectives and is directly responsible for approving the asset allocation, investment and gearing ranges within which the Manager is given discretion to act. A formal schedule of matters reserved for the decision of the Board has been adopted.

The Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

Notwithstanding the requirement of the Company's articles of association that one third of the Board is subject to retirement by rotation each year, the Board complies with the provision contained in the Code that all Directors should be required to submit themselves for re-election at least every three years.

The Board, which is small in size and is comprised entirely of independent Directors, operates without a Nominations Committee and believes that this is appropriate in these circumstances. Any future appointments of new Directors will be made on a formalised basis with the Chairman agreeing selection criteria with his colleagues.

The Board has direct access to the advice and services of the Company Secretary, F&C Management Limited, which

is responsible for ensuring that Board and Committee procedures are followed and applicable regulations are complied with.

Accountability and Audit

The Audit Committee of the Company operates within written terms of reference clearly setting out its authority and duties. It is comprised of the independent Directors of the Company and meets at least once a year. The primary role of the Committee is to review the Company's accounting policies, the contents of the financial statements, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The Committee has direct access to the auditors, PricewaterhouseCoopers, and to the compliance and internal audit directors of the Manager and to the Manager's group audit committee, and reports its findings to the Board.

The Board has contractually delegated the management of the investment portfolio, the operation of custodial services and the provision of accounting and company secretarial services to the Manager. Details of the terms of its agreement with the Manager, as set out in note 3 on the accounts, are reviewed periodically by the Company's Audit Committee.

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. These aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded by a series of quarterly investment performance, performance attribution and Manager's reports and a quarterly control report. The control report incorporates a key risk table that identifies the risks to which the Company is exposed and the controls in place to mitigate them, including those risks that are not directly the responsibility of the Manager. It also provides details of any known internal control failures.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business

objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has carried out a risk and control assessment including a review of the Manager's risk management infrastructure. A key element of this assessment was the Statement of Internal Corporate Governance for the year to 3 December 2001 prepared by the Manager for its investment trust clients to the standards of the Financial Reporting and Auditing Group Technical Release 21/94 (FRAG21) issued by the Institute of Chartered Accountants in England and Wales. Containing an independent report from the Manager's external auditors, it sets out the Manager's control policies and procedures with respect to the management of its clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee, which receives regular reports from the Manager's compliance and audit and risk departments. The Audit Committee has received and reviewed the Statement, together with a report from the Manager's group audit committee on the effectiveness of the internal controls maintained on behalf of the Company, and an annual compliance report from the Manager's director of compliance.

By means of the procedures set out above, and in accordance with "Internal Control: Guidance for Directors on the Combined Code" published by the Working Party of the Institute of Chartered Accountants in England and Wales, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the period. This process has been in place throughout the year under review and to the date hereof and will continue to be regularly reviewed by the Board going forward.

Remuneration Committee

The Company has no employees or executive Directors and consequently does not have a remuneration committee. Note 5 on the accounts provides information on the remuneration arrangements for Directors of the Company.

Report of the Directors (continued)

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable.

Investor Relations

Communications with shareholders are given a high priority. In addition to the information provided in the annual and interim accounts, updated information is available on the F&C website at www.fandc.co.uk. All shareholders are encouraged to attend the Annual General Meeting, where they are given an opportunity to question the Chairman and his colleagues on the Board. Proxy voting figures are announced to shareholders at the Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution re-appointing them and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Special Business at the Annual General Meeting

Shareholders will find on pages 36 and 37 the notice of the forthcoming Annual General Meeting of the Company to be held at Exchange House, Primrose Street, London EC2 on Friday, 28 June 2002. In addition to the ordinary business of the meeting, the resolutions numbered 7 and 8 are proposed as special business.

Authority to Allot Shares (Resolution 7)

Resolution 7 is similar to the authorities given to the Directors at previous Annual General Meetings. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing

shareholders in proportion to their holdings. Resolution 7 gives the Directors for the period until the conclusion of the Annual General Meeting in 2003, the necessary authority to allot securities up to an aggregate nominal amount of £1,000,210, equivalent to approximately 10% of the issued ordinary share capital of the Company, and empowers the Directors to allot such securities for cash, otherwise than to existing shareholders on a pro rata basis. This authority and power provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares; should any favourable opportunities arise to the advantage of shareholders.

The Directors can, if necessary, use this authority and power to satisfy demand from participants in the F&C Private Investor, Personal Equity and Pension Savings Plans and from holders of F&C Individual Savings Accounts when they believe it is advantageous to plan participants and the Company's shareholders and warrant holders to do so.

Under no circumstances would the Directors use the authority and power to dilute the interests of existing shareholders by issuing shares at a price which is less than the net asset value attributable to the shares at the time of issue.

Authority for the Company to purchase its own shares (Resolution 8)

At the Annual General Meeting held on 25 June 2001 the Company was authorised to purchase up to 5,904,780 of its own ordinary shares (representing approximately 14.9% of the issued share capital) in the market at a minimum price of 25p and a maximum (exclusive of expenses) of 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days before the relevant purchase was made.

Resolution 8 seeks to renew this authority in respect of 5,961,257 ordinary shares, representing 14.9% of the current number of issued ordinary shares. This authority will continue until 27 September 2003 or, if earlier, the conclusion of the Annual General Meeting in 2003.

The Directors would use this authority with the objective of enhancing shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing net asset value per ordinary share, which would have the effect of increasing net asset value per ordinary share for the remaining shareholders. Any ordinary shares which are purchased would be cancelled.

The Directors consider that it would be advantageous to shareholders for the Company to have the authority to make such purchases as and when it considers the timing to be favourable. However, use of this authority, if given, will

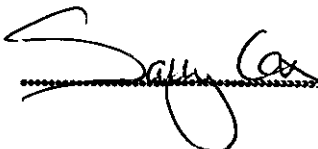
depend upon market conditions and the Board's judgement of its likely effectiveness in increasing net asset value per share and/or reducing the discount.

It is proposed that any purchase of ordinary shares would be funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

By order of the Board
F&C Management Limited
Secretary

17 May 2002

**For and on behalf of
F&C MANAGEMENT LIMITED**


.....Secretary

Directors' Statement of Responsibilities

As required by company law, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company at 31 March 2002 and of the results for the year then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in

accordance with applicable accounting standards and on a going concern basis. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

To the members of F&C Income Growth Investment Trust PLC

We have audited the financial statements which comprise the statement of total return, the balance sheet and the cash flow statement and notes 1 to 24, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies on page 24.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

The other information comprises only the Report of the Directors, the Chairman's Statement, the Manager's Review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

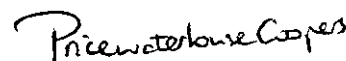
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements

made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2002 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

17 May 2002

Statement of Total Return

(incorporating the Revenue Account*) for
the year ended 31 March

Revenue Notes Capital Notes		2002			2001		
		Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
10	Gains and losses on investments	-	1,439	1,439	-	1,938	1,938
19	Warrants purchased for cancellation	-	-	-	-	1	1
2	Income	2,060	-	2,060	2,136	-	2,136
3 19	Management fee	(206)	(206)	(412)	(216)	(216)	(432)
4 19	Other expenses	(233)	(3)	(236)	(233)	(2)	(235)
	Net return before finance costs and taxation	1,621	1,230	2,851	1,687	1,721	3,408
6 19	Interest payable and similar charges	(1)	(1)	(2)	(15)	(15)	(30)
	Return on ordinary activities before taxation	1,620	1,229	2,849	1,672	1,706	3,378
7	Taxation on ordinary activities	-	-	-	-	-	-
	Return attributable to equity shareholders	1,620	1,229	2,849	1,672	1,706	3,378
8	Dividends on ordinary shares (equity)	(1,620)	-	(1,620)	(1,568)	-	(1,568)
19 19	Amount transferred to/(from) reserves	-	1,229	1,229	104	1,706	1,810
9 9	Return per ordinary share – pence	4.06	3.08	7.14	4.16	4.24	8.40
9 9	Return per ordinary share (diluted) – pence	3.98	3.02	7.00	4.09	4.17	8.26

* The revenue column of the statement is the profit and loss account of the Company.

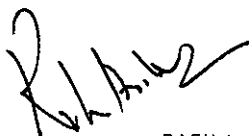
All revenue and capital items in the above statement derive from continuing operations.

Balance Sheet

at 31 March

Notes		2002		2001	
		£'000s	£'000s	£'000s	£'000s
	Investments				
10	Listed in Great Britain		60,195		58,925
	Current assets				
11	Debtors	434		459	
	Cash at bank and short-term deposits	957		577	
		1,391		1,036	
	Current liabilities				
12	Creditors: amounts falling due within one year:	(797)		(780)	
	Net current assets/(liabilities)		594		256
	Net assets		60,789		59,181
	Capital and reserves				
14	Called up share capital		10,002		9,907
15	Share premium	8,738		8,321	
16	Capital redemption reserve	1,020		1,020	
17	Special reserve	16,373		16,373	
18	Warrant reserve	1,339		1,472	
19	Capital reserves	22,922		21,693	
19	Revenue reserve	395		395	
			50,787		49,274
20	Total shareholders' funds – equity		60,789		59,181
20	Net asset value per ordinary share				
	Basic – pence		151.94		149.34
	Diluted – pence		147.80		146.36

Approved by the Board on 17 May 2002
and signed on its behalf by:



R A E Herbert

Cash Flow Statement

for the year ended 31 March

Notes	2002		2001	
	£'000s	£'000s	£'000s	£'000s
	Operating activities			
	Investment income received	2,022	2,012	
	Interest received	48	18	
	Fee paid to the management company	(381)	(402)	
	Cash paid to and on behalf of Directors	(57)	(49)	
	Other cash payments	(181)	(193)	
22	Net cash inflow from operating activities	1,451	1,386	
	Servicing of finance			
	Interest paid	(1)	(39)	
	Net cash outflow from servicing of finance	(1)	(39)	
	Taxation			
	UK tax received	–	52	
	Total tax received	–	52	
	Financial investment			
	Purchases of equities and other investments	(5,515)	(5,114)	
	Sales of equities and other investments	5,684	9,776	
	Capital expenses and credits	(3)	(2)	
	Net cash inflow from financial investment	166	4,660	
	Equity dividends paid	(1,615)	(1,545)	
	Net cash inflow before use of liquid resources and financing	1	4,514	
	Management of liquid resources			
	Increase in short-term deposits	(500)	(400)	
	Financing			
	Warrants purchased for cancellation	–	(29)	
	Purchase of ordinary shares	–	(2,255)	
	Share capital issued	379	124	
	Net cash inflow/(outflow) from financing	379	(2,160)	
23	(Decrease)/increase in cash	(120)	1,954	

Notes on the Accounts

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention, modified to include fixed asset investments at valuation, and in accordance with accounting standards applicable in the United Kingdom and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP). The principal accounting policies are set out below.

(b) Valuation of investments

As an investment trust, the Company treats all transactions on realisation and the revaluation of investments held as transactions on the capital account. These items, whether profits or losses, are not part of, and are not reflected in, the revenue account but are charged or credited to capital reserves. Listed investments are shown at middle market value.

(c) Income

Income from quoted equity shares is brought into the revenue account (except where, in the opinion of the directors, their nature indicates they should be recognised as capital) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Franked dividends are accounted for in accordance with Financial Reporting Standard 16 (FRS16) "Current Taxation" on the basis of the income actually receivable, without adjustment for the tax credit attaching to the dividends.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital reserve.

(d) Expenses

All expenses are charged to the revenue account, except:

- expenses which are incidental to the acquisition or disposal of investments are charged to capital reserve realised; and
- 50% of management fees, including related VAT, and interest expense are allocated to capital reserve realised, in accordance with the board's long-term expected split of returns from the investment portfolio of the Company.

All expenses are accounted for on an accruals basis.

(e) Taxation

Deferred tax is provided in accordance with FRS19 on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are regarded as recoverable. The adoption of FRS19 has had no impact on current or prior year results.

(f) Capital reserves

Capital Reserve Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- other capital charges and credits charged or credited to this account in accordance with the above policies.

Capital Reserve Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of fixed assets held at the year end
- unrealised exchange differences of a capital nature.

2 INCOME

	2002 £'000s	2001 £'000s
Income from investments		
UK franked dividends	1,912	1,932
UK unfranked interest	97	99
Scrip dividends	-	85
	2,009	2,116
Other income		
Interest on cash and short-term deposits	51	20
Total income	2,060	2,136

2 INCOME (CONTINUED)

	2002 £'000s	2001 £'000s
Total income comprises:		
Dividends	1,912	2,017
Interest from investments	97	99
Other income	51	20
	2,060	2,136
Income from investments:		
Listed UK	2,009	2,116
	2,009	2,116

3 MANAGEMENT FEE

	2002 £'000s	2001 £'000s
Management fee	351	368
Irrecoverable VAT thereon	61	64
	412	432
Less: allocated to Capital Reserve Realised (see note 19)	(206)	(216)
	206	216

The Manager provides investment management and general administrative services to the Company for a quarterly fee payable in arrears equal to 0.15% of the funds under management. The management agreement may be terminated upon one year's notice given by either party. Management fees have been allocated 50% to capital reserve realised in accordance with the accounting policy.

4 OTHER EXPENSES

	2002 £'000s	2001 £'000s
AIRC "its" campaign contribution	11	38
Auditors' remuneration:		
for audit services	14	14
for non-audit services	5	4
Directors' emoluments – fees	57	49
Irrecoverable VAT	20	16
Sundry expenses	126	112
	233	233

Notes on the Accounts (continued)

5 DIRECTORS' REMUNERATION AND CONTRACTS

(a) Remuneration

The Company had no employees during the year.

The amounts paid by the Company to the Directors of the Company were as follows:

	2002 £	2001 £
Robin Herbert (Chairman)*	15,000	12,500
Michael Beckett	10,000	8,750
The Viscount Churchill	10,000	8,750
Oliver Dawson**	2,282	8,750
John Emly	10,000	1,667
Peter Wilmot-Sitwell	10,000	8,750
	57,282	49,167

* Highest paid Director.

** Retired 25 June 2001.

(b) Directors' interests in shares and warrants

The beneficial interests of the Directors in the ordinary shares and warrants of the Company were as follows:

	31 March 2002		31 March 2001	
	Ordinary shares	Warrants	Ordinary shares	Warrants
Robin Herbert (Chairman)	11,593	1,000	11,380	1,000
Michael Beckett	5,000	1,000	5,000	1,000
The Viscount Churchill	15,586	2,400	15,111	2,400
John Emly	—	—	—	—
Peter Wilmot-Sitwell	12,000	2,400	12,000	2,400

There have been no changes in any of the Directors' holdings detailed above since 31 March 2002.

(c) Directors' interests in contracts

No contract of significance to which the Company is a party and in which a Director is or was materially interested subsisted during the year.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000s	2001 £'000s
On loans and overdrafts, repayable within one year	2	30
Less: allocated to Capital Reserve Realised (see note 19)	(1)	(15)
	1	15

Interest expense has been allocated 50% to capital reserve realised in accordance with the Company's accounting policy on expenses.

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax (credit)/charge for the year

	Revenue £'000s	Capital £'000s	2002 Total £'000s	Revenue £'000s	Capital £'000s	2001 Total £'000s
Corporation tax at 30% (2001: 30%)	—	—	—	—	—	—
Tax charge on ordinary activities	—	—	—	—	—	—

7 TAXATION ON ORDINARY ACTIVITIES (CONTINUED)**(b) Factors affecting the current tax (credit)/charge for the year**

	Revenue £'000s	Capital £'000s	2002 Total £'000s	Revenue £'000s	Capital £'000s	2001 Total £'000s
Return on ordinary activities before tax	1,620	1,229	2,849	1,672	1,706	3,378
Return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	486	369	855	501	512	1,013
Effects of:						
Franked Investment income*	(574)	-	(574)	(580)	-	(580)
Capital gains*	-	(431)	(431)	-	(581)	(581)
UK scrip dividends*	-	-	-	(26)	-	(26)
Expenses not used	88	62	150	105	69	174
Current tax charge for the year (note 7(a))	-	-	-	-	-	-

*These items are not subject to corporation tax within an investment trust company.

The deferred tax asset of £510,000 in respect of unutilised expenses at 31 March 2002 has not been recognised as it is unlikely that these expenses will be utilised.

8 DIVIDENDS ON ORDINARY SHARES

	Pence per share	£'000s	2002 Shares in issue	Pence per share	£'000s	2001 Shares in issue
1st quarter paid	0.80	320	40,008,437			
2nd quarter paid	0.85	340	40,008,437			
3rd quarter paid	0.85	340	40,008,437			
Proposed final payable 1 July 2002	1.55	620	40,008,437			
Adjustment in respect of share buy backs				-	(4)	
1st quarter paid				0.80	320	40,029,396
2nd quarter paid				0.80	320	40,029,396
3rd quarter paid				0.80	317	39,629,396
Final paid				1.55	615	39,629,396
	4.05	1,620		3.95	1,568	

9 RETURN PER ORDINARY SHARE

The basic and diluted revenue returns per share are based on the revenue return attributable to equity shareholders of £1,620,000 (2001: £1,672,000).

The basic and diluted capital returns are based on the capital return attributable to equity shareholders of £1,229,000 gain (2001: £1,706,000).

The diluted returns per share have been calculated in accordance with FRS14, under which the Company's outstanding warrants are considered dilutive only if the exercise price is lower than the average market price of the ordinary shares during the year. The dilution is calculated by reference to the additional number of ordinary shares which warrant holders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market ("dilutive potential shares").

	2002	2001
Weighted average number of ordinary shares in issue - for basic return calculations	39,882,782	40,215,171
Dilutive potential shares	836,476	712,125
Weighted average number of ordinary shares in issue - for diluted return calculations	40,719,258	40,927,296

Notes on the Accounts (continued)

10 INVESTMENTS

	Listed Total £'000s
Cost at 1 April 2001	44,387
Unrealised appreciation at 1 April 2001	14,538
Valuation at 1 April 2001	58,925
Movements in the year:	
Purchases at cost	5,515
Sales – proceeds	(5,684)
– realised (losses)/gains on sales	(680)
Movement in unrealised appreciation	2,119
Valuation at 31 March 2002	60,195
Cost at 31 March 2002	43,396
Unrealised appreciation at 31 March 2002	16,799
	60,195

Gains and losses on investments

	2002 £'000s	2001 £'000s
Realised (losses)/gains based on historical cost	(822)	2,520
Less: amounts recognised as unrealised gains in previous years	142	(1,973)
Realised (losses)/gains based on carrying value at previous balance sheet date	(680)	547
Net movement in unrealised appreciation in the year	2,119	1,391
Gains on investments	1,439	1,938

Investments managed or advised by the Company's Manager

Investments include £nil (2001: £nil) of funds managed by the Company's Manager, F&C Management Limited (FCM), representing nil% (2000: nil%) of the net assets of the Company. Under the terms of the management agreement with FCM, set out in note 3, the management fee calculation excludes the value of all such holdings.

11 DEBTORS

	2002 £'000s	2001 £'000s
Prepayments and accrued income	434	459
	434	459

12 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000s	2001 £'000s
Proposed final dividend on ordinary shares	620	615
Accruals	177	165
	797	780

The Company has a committed loan facility of £8 million, expiring on 9 September 2002, upon which commitment commission of 0.1% per annum is charged on any undrawn amounts.

13 GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION (TOTAL ASSETS LESS CURRENT LIABILITIES)

	2002 Total %	2001 Total %
Assets		
Equities		
Resources	13.7	14.4
Basic industrials	5.2	6.3
General industrials	2.4	3.1
Non-cyclical consumer goods	22.5	20.0
Cyclical services	17.7	16.1
Non-cyclical services	4.1	6.4
Utilities	6.7	6.7
Financials	24.4	24.1
Information technology	0.2	0.2
Total equities	96.9	97.3
Fixed interest	2.1	2.3
Total investments	99.0	99.6
Net current assets	1.0	0.4
Total assets less current liabilities – all UK	100.0	100.0

The geographical location of the investments held as fixed assets is the United Kingdom, as determined by the location of the major part of the investee companies' business.

14 SHARE CAPITAL

	Authorised Number	Nominal £'000s	Issued and fully paid Number	Issued and fully paid £'000s
Equity share capital				
Ordinary shares of 25p each at 1 April 2001	383,200,000	95,800	39,629,396	9,907
Warrants exercised	–	–	379,041	95
Balance at 31 March 2002	383,200,000	95,800	40,008,437	10,002

On 31 July 2001, 132 holders of the Company's warrants exercised their rights to subscribe for a total of 379,041 ordinary shares at a fixed subscription price of £1 per share.

15 SHARE PREMIUM

	2002 £'000s	2001 £'000s
Balance brought forward	8,321	8,185
Premium on new shares issued on conversion of warrants	284	93
Transfer from warrant reserve on conversion of warrants	133	43
Balance carried forward	8,738	8,321

16 CAPITAL REDEMPTION RESERVE

	2002 £'000s	2001 £'000s
Balance brought forward	1,020	655
Buy back of shares (transferred from share capital)	–	365
Balance carried forward	1,020	1,020

Notes on the Accounts (continued)

17 SPECIAL RESERVE

	2002 £'000s	2001 £'000s
Balance brought forward	16,373	18,184
Buy back of shares	–	(1,811)
Balance carried forward	16,373	16,373

18 WARRANT RESERVE

	2002 £'000s	2001 £'000s
Balance brought forward	1,472	1,533
Warrants purchased for cancellation	–	(18)
Transfer to share premium account on conversion of warrants	(133)	(43)
Balance carried forward	1,339	1,472

On 31 March 2002 there were 3,823,891 (31 March 2001: 4,202,932) warrants outstanding.

Warrant holders have the right to subscribe for one ordinary share per warrant at £1 on the later of 30 days after the date on which the audited accounts are despatched to the shareholders or 31 July, in any of the years 2002 to 2003. On 31 July 2001, a total of 379,041 warrants were exercised by 132 holders.

19 OTHER RESERVES

	Capital reserve (realised) £'000s	Capital reserve (unrealised) £'000s	Capital reserves Total £'000s	Revenue reserve £'000s
Realised losses on investments	(680)	–	(680)	–
Transfer on disposal of investments	(142)	142	–	–
Movement in unrealised appreciation on investments	–	2,119	2,119	–
Management fee and related VAT (see note 3)	(206)	–	(206)	–
Interest expense (see note 6)	(1)	–	(1)	–
Other capital charges and credits	(3)	–	(3)	–
	(1,032)	2,261	1,229	–
Balance brought forward	7,155	14,538	21,693	395
Balance carried forward	6,123	16,799	22,922	395

Included within the capital reserves movement for the year is £nil (31 March 2001: £48,000) of dividends recognised as capital.

20 NET ASSET VALUE PER ORDINARY SHARE

The movements during the year in the total net assets attributable to ordinary shares, used in the calculation of both basic and diluted net asset value per ordinary share, were as follows:

	Ordinary shares £'000s
Total net assets brought forward	59,181
Total recognised gains and losses for the year	2,849
Dividends	(1,620)
Conversion of warrants	379
Total net assets carried forward	60,789

20 NET ASSET VALUE PER ORDINARY SHARE (CONTINUED)

The diluted net asset values per ordinary share have been calculated in accordance with FRS14, under which the Company's outstanding warrants are considered dilutive only if the exercise price is lower than the market price of the ordinary shares at the year end. The dilution is calculated by reference to the additional number of ordinary shares which warrant holders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market ("dilutive potential shares").

	2002	2001
Ordinary shares in issue at 31 March – for basic net asset value calculations	40,008,437	39,629,396
Dilutive potential shares at 31 March	1,121,495	806,623
Ordinary shares in issue at 31 March – for diluted net asset value calculations	41,129,932	40,436,019

21 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2002 £'000s	2001 £'000s
Revenue return on ordinary activities after taxation	1,620	1,672
Dividends	(1,620)	(1,568)
Capital return for the year	1,229	1,706
Premium on warrants conversion	284	(18)
Warrants exercised	95	124
Buy back of shares	–	(1,811)
Net movement in equity shareholders' funds	1,608	105
Equity shareholders' funds brought forward	59,181	59,076
Equity shareholders' funds carried forward	60,789	59,181

22 RECONCILIATION OF REVENUE RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £'000s	2001 £'000s
Revenue return before finance costs and taxation	1,621	1,687
Scrip dividend	–	(85)
Decrease/(increase) in accrued income	19	(9)
Increase in creditors	17	9
Management fee allocated to capital	(206)	(216)
Net cash inflow from operating activities	1,451	1,386

23 RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET FUNDS/(DEBT)

	2002 £'000s	2001 £'000s
(Decrease)/increase in cash	(120)	1,954
Increase in short-term deposits	500	400
Movement in net funds resulting from cash flows	380	2,354
Net funds/(debt) brought forward	577	(1,777)
Net funds carried forward	957	577

Notes on the Accounts (continued)

23 RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET FUNDS/(DEBT) (CONTINUED)

Represented by:	Balance at 1 April 2001 £'000s	Cash flow £'000s	Balance at 31 March 2002 £'000s
Cash at bank	177	(120)	57
Short term deposits	400	500	900
	577	380	957

24 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The Company is an investment company as defined by Section 266 of the Companies Act 1985 and conducts its affairs so as to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

The Company's investment objective is to secure a high rate of total return from long-term income growth greater than the rate of UK inflation, and capital growth greater than the FTSE 350 Index. The Company seeks to meet its investment objective by investing principally in a diversified portfolio of UK quoted equity and fixed interest securities. The Company has the power to take out both short- and long-term borrowings.

This approach has been followed throughout the year under review.

In pursuing its investment objectives, the Company faces risks to both assets and revenue. These risks, and the Directors' approach to the management of the risks, are listed on page 33.

In the year to 31 March 2002 (and year to 31 March 2001) the Company did not make use of derivatives, engage in hedging activities or take out any long-term borrowings.

Financial Assets

All the interest-bearing investments and cash of the Company are denominated in sterling. The interest rate risk profile of the Company's financial assets at 31 March (excluding short-term loans) was:

	Fixed rate investments		Cash		Total	
	2002	2001	2002	2001	2002	2001
Floating rate interest assets (£'000s)	–	–	57	177	57	177
Fixed rate interest assets (£'000s)	1,285	1,338	900	400	2,185	1,738
Weighted average interest rate %	8.5	8.5	3.5	5.6	n/a	n/a
Weighted average period for which rate is fixed	3.3 years	4.3 years	3 days	n/a	n/a	n/a

n/a – not applicable

Financial Liabilities

The Company did not have any interest-bearing financial liability at 31 March 2002 (31 March 2001: nil).

Currency Risk

The assets of the Company are wholly denominated in sterling, the Company's functional currency. Therefore the Company is not subject to any significant risk of currency movements.

Fair Value

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet.

24 RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Risk Management

Risk	Management of Risk
Credit Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered.	All transactions are settled on the basis of delivery against payment. Only approved counterparties are used.
Liquidity Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.	The Company's investments are principally UK quoted equities and fixed interest stocks and are readily realisable. The Company has the power to take out borrowings, both short- and long-term, and in addition has a committed overdraft facility.
Market Price The Company's assets consist principally of UK quoted equities and fixed interest stocks, the values of which are determined by market forces.	The Board manages the interest rate, currency and market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets at least quarterly and at each meeting reviews investment performance and financial results. It monitors compliance with the Company's objectives and is directly responsible for investment strategy, asset allocation and gearing.
Interest Rate Assets, liabilities and net revenue may be affected by interest rate movements.	The Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board. The Company finances part of its activities through overdrafts at levels approved and monitored by the Board.
Revenue Cash Flow Insufficient net revenue to meet the Company's dividend objective.	The Board received regular revenue account forecasts from the Manager through which it monitors dividend paying capacity against the dividend objectives of the Company.

Historical Record

ASSETS at 31 March

£'000s	29 March 1994	1995	1996	1997	1998	1999	2000	2001	2002
Total assets less current liabilities	41,196	40,676	45,796	49,862	63,074	62,931	59,076	59,181	60,789

NET ASSET VALUE at 31 March

£'000s	29 March 1994	1995	1996	1997	1998	1999	2000	2001	2002
NAV per share	96.0p	94.8p	105.9p	115.2p	145.7p	144.8p	144.2p	149.3p	151.9p
NAV per share (diluted)*	n/a	n/a	105.0p	112.8p	139.6p	139.0p	139.9p	144.6p	147.4p
NAV per share (diluted) total return on 100p – 5 years (per AITC)									151.7p

SHARE PRICE at 31 March

	29 March 1994**	1995	1996	1997	1998	1999	2000	2001	2002
Mid-market price per share	96.0p	93.5p	102.0p	94.0p	117.5p	110.5p	107.8p	123.8p	141.5p
Warrant price	–	23.0p	20.0p	11.5p	32.0p	24.5p	23.5p	26.0p	43.0p
Discount to NAV (diluted where applicable)	–	1%	3%	17%	18%	23%	25%	14%	4%
Share price High	–	105.0p	112.0p	107.0p	123.0p	126.0p	124.0p	131.0p	142.5p
Share price Low	–	91.0p	95.0p	88.0p	92.0p	92.0p	106.0p	104.5p	110.0p
Share price total return on 100p – 5 years – Company (per AITC)									175.9p

REVENUE for the year ended 31 March

	1995§	1996	1997	1998	1999†	2000	2001	2002
Available for ordinary shares (£'000s)	1,462	1,470	1,556	1,681	1,808	1,545	1,672	1,620
Earnings per share	3.41p	3.41p	3.60p	3.88p	4.16p	3.61p	4.16p	4.06p
Dividends per share	3.25p	3.40p	3.55p	3.65p	3.75p	3.85p	3.95p	4.05p

PERFORMANCE

(rebased at date of initial share issue)**	29 March 1994**	1995	1996	1997	1998	1999	2000	2001	2002
NAV per share (diluted)*	100.0	98.8	109.4	117.5	148.3	148.8	149.1	152.5	154.0
Mid-market price per share	100.0	97.4	106.3	97.9	122.4	115.1	112.2	129.0	147.4
Earnings per share	–	100.0	100.0	105.6	113.8	122.0	105.9	122.0	119.1
Dividends per share	–	100.0	104.6	109.2	112.3	115.4	118.5	121.6	124.6
RPI	–	100.0	102.7	105.4	108.1	111.0	113.2	115.3	118.0

n/a There is no dilution.

* Diluted NAV calculated in accordance with AITC method.

** Initial shares issued on 29 March 1994.

† Restated for the allocation of management fees to capital.

§ Period from incorporation on 3 February 1994 to 31 March 1995.

COST OF RUNNING THE COMPANY
for the year ended 31 March

%	1995\$	1996	1997	1998	1999	2000	2001	2002
Operating costs as a percentage of:								
Average net assets	1.05	1.04	1.01	0.99	1.02	1.05	1.09	1.11

\$ Period from incorporation on 3 February 1994 to 31 March 1995.

Definitions

Operating costs	All costs charged to revenue and capital, excluding related taxation relief, interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling of investments.
NAV	Net asset value.
RPI	All-items excluding mortgage interest payment Retail Price Index.
Average net assets	Average of net assets at end of each calendar quarter.
NAV total return	Return on net assets per share assuming that all dividends paid to shareholders were reinvested.
Price total return	Return to the investor on mid-market prices, assuming that all dividends received were reinvested.
AITC	Association of Investment Trust Companies.

Notice of Meeting

Notice is hereby given that the eighth Annual General Meeting of the Company will be held at the registered office of the Company, Exchange House, Primrose Street, London EC2, on Friday, 28 June 2002 at 2.30 pm for the following purposes:

Ordinary Business:

- 1 To receive and adopt the Directors' report and accounts for the year ended 31 March 2002.
- 2 To declare a dividend on the ordinary shares.
- 3 To re-elect Mr R A E Herbert as a Director.
- 4 To re-elect The Viscount Churchill as a Director.
- 5 To re-elect Mr P S Wilmot-Sitwell as a Director.
- 6 To re-appoint PricewaterhouseCoopers as auditors to the Company and to authorise the Directors to fix their remuneration.

Special Business

- 7 To consider and, if thought fit, pass the following resolution as a special resolution:

THAT:

- (a) the Directors be and they are hereby:
 - (i) generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985 (the "Act"), to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £1,000,210 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2003; and
 - (ii) empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority referred to in paragraph (a)(i) of this resolution as if Section 89(1) of the Act did not apply to any such allotment,but so that this authority and power shall enable the Company to make offers or agreements which would or might require relevant securities or equity

securities to be allotted after the expiry of this authority and power and notwithstanding such expiry the Directors may allot relevant securities and/or equity securities in pursuance of such offers or agreements; and

- (b) all authorities and powers previously conferred under Section 80 or Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.
- 8 To consider and, if thought fit, pass the following resolution as a special resolution:

THAT the Company be and is hereby generally and unconditionally authorised, in accordance with Section 166 of the Companies Act 1985 (the "Act"), to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25 pence each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine, provided that:

 - (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 5,961,257;
 - (b) the minimum price which may be paid for an ordinary share is 25 pence;
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
 - (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
 - (e) the authority hereby conferred shall expire on 27 September 2003 or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2003, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

- (f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By Order of the Board
F&C Management Limited
Secretary
Dated 27 May 2002

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

NOTES

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only holders of ordinary shares registered on the register of members of the Company at 11:00 pm on 26 June 2002 shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register of members after 11:00 pm on 26 June 2002 shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

To be valid, a form of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3ZZ, not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through the F&C Private Investor, Personal Equity or Pension Savings Plans or in a F&C Individual Savings Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the meeting.

The register of Directors' holdings is available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.

No director has any contract of service with the Company.

The final dividend in respect of the year ended 31 March 2002 will, if approved, be paid on 1 July 2002 to holders of ordinary shares on the register at the close of business on 31 May 2002.

LOCATION OF THE MEETING

Information for Shareholders

Net Asset Value and Share Price

The Company's Net Asset Value (NAV) is released weekly, on the working day following the calculation date (every Wednesday), to the London Stock Exchange.

The current share price of F&C Income Growth Investment Trust is shown in the investment trust section of the stock market page in most leading newspapers, usually under "F&C Inc Growth".

Performance Information

Information on the Company's performance is provided in the interim and annual reports which are sent to shareholders in November and May respectively.

More up-to-date performance information is available on the Internet at www.fandc.co.uk (select Private Investor, Investment Trusts, Income Growth). This website provides a monthly update on the Company's largest holdings, along with comments from the fund manager.

Report & Accounts

The annual and interim Report & Accounts are also published on the Internet at www.fandc.co.uk.

Association of Investment Trust Companies (AITC)

F&C Income Growth Investment Trust is a member of the AITC, which publishes a monthly statistical information service in respect of member companies. The publication also has details of ISA, PEP and other investment plans available. For further details, please contact the AITC on 020 7282 5555, or visit the website: www.itsonline.co.uk.

UK Capital Gains Tax (CGT)

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £7,500 in the tax year ended 5 April 2002 without incurring any tax liability.

Up to April 1998, the cost of investments for CGT purposes was adjusted to allow for inflation between the month of acquisition and the month of disposal of the investments. For investments held at 6 April 1998 and disposed of after that date, this indexation allowance will be computed for the period from the date of acquisition to April 1998, with taper relief applying after April 1998. For assets acquired on or after 5 April 1998, only taper relief applies. The taper reduces the amount of chargeable gain according to the number of complete years after 5 April 1998 for which the investment has been held.

Income Tax

The proposed final dividend is payable in July 2002, net of a notional tax credit of 10%. Individual UK resident shareholders who are subject to UK income tax at the lower rate or the basic rate have no further tax liability.

Tax credits on dividends received from shares held within a PEP or ISA are recoverable from the Inland Revenue.

Shareholders not resident in the UK, and any shareholders in doubt as to their tax position, should consult their professional advisers.

How to Invest in the Company

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You can buy shares directly using a bank or stockbroker or use the simple, low cost savings products outlined below.

Private Investor Plan (PIP)

It only costs 0.2% (plus 0.5% government stamp duty) to invest in F&C Income Growth Investment Trust via this simple savings scheme. You can invest a lump sum or make regular monthly payments.

Pension Savings Plan (PSP)

You can maximise your tax benefits and save for your retirement using this low cost Plan, which includes a Personal Pension and free standing AVC. You can also now invest on behalf of a dependant.

Individual Savings Account (ISA)

You can invest up to £7,000 tax free in our ISA and our fixed rate charging structure provides excellent value for money. You can invest a lump sum or make regular monthly payments. You can even apply online.

Personal Equity Plan (PEP)

PEPs are no longer available for new subscriptions.

You can, however, continue to hold investments in any existing PEPs and transfer investments from one manager to another, subject to Inland Revenue requirements.

Our fixed rate charging structure makes our PEP a cost effective option.

If you have trouble reading smaller print, please let us know. We can provide literature in alternative formats, for example, large print or on audiotape. Please call 0845 600 3030 for more details.

The information on this page has been issued and approved by F&C Management Limited, regulated by the FSA.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.

Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances. Income received has been taxed at source.

For further details and application forms, please contact:

Investor Services on **0845 600 3030** or

Broker Support on **0845 600 1868**

(UK calls charged at the local rate)

Fax **020 7825 2108**

You can also visit us on our website:

www.fandc.co.uk under Investment Trusts

If you wish to write to us, the address is:

Investor Services Team

F&C Management Limited

Exchange House, Primrose Street London EC2A 2NY

Or contact your Independent Financial Adviser

Notes

**Registered
Office**

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London
EC2A 2NY

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Fax 020 7628 8188
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