India Capital Growth Fund

Annual report and audited financial statements

For the year ended 31 December 2016

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For the year ended 31 December 2016

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Management and administration

Directors

Fred Carr (Chairman)
John Whittle
Peter Niven

Registered Office

1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey GY1 1DB

Investment Manager

Ocean Dial Asset Management Limited
13-14 Buckingham Street
London WC2N 6DF

Administrator and Secretary

Apex Fund Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey GY1 1DB

Custodian

Kotak Mahindra Bank Ltd.
3rd Floor, 27 BKC
C-27 G Block
Bandra Kurla Complex
Bandra East
Mumbai 400051

Nominated Adviser

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker

Stockdale Securities Limited
Beaufort House
15 St Botolph Street
London EC3A 7BB

Management and administration (continued)

Registrar

Neville Registrars Limited
18 Laurel Lane
Halesowen
Birmingham B63 3DA

Independent Auditor

Deloitte LLP
Regency Court
Glategny Esplanade
Guernsey GY1 3HW

India Capital Growth Fund

Chairman's statement

2016 will be remembered as a tumultuous year for investors of every persuasion.

The year began with a vicious sell off across all asset classes, provoked by a renewed spike in global deflationary worries, and ended with Trump's election to the White House, triggering quite the opposite. Such is the nature of markets. Sandwiched between these startling events came the UK's decision to leave the European Union, a momentous decision, which although only needs a passing mention in this report (and thankfully so), created a significant and positive impact on the outlook for the Company. Not only did the weakness of Sterling cause the Indian Rupee to appreciate by 15.2% over the year (supporting a 29% increase in the rebased[1] Net Asset value) but the resultant strength in the Rupee value of the assets prompted the Company's share price to cross the critical threshold of £0.61, dragging the outstanding subscription shares "into the money", and facilitating an increase in the assets under management of close to £23m. Over the year to 31 December, the share price also rose 20%.

I was delighted that this issuance of new ordinary shares was 90% "taken up" by existing subscription shareholders and that the remaining "rump" was immediately placed into good hands, thereby ensuring that, for the first time, total assets in the portfolio exceeded £100m. The fund-raising exercise, initiated by the Board in 2014, forms a part of the longer term strategic plan for the Company, and since this has now been completed, the Investment Manager is undertaking the next part of the plan; namely a focused strategy to drive better share price performance.

Putting this into some context might perhaps be helpful. The first phase, initiated by the appointment of a new Manager in 2010, consisted of a root and branch overhaul of the portfolio and the introduction of a revised, more disciplined investment process. Phase Two involved strengthening the investment advisory team on the ground in Mumbai, and delivering a consistently improved absolute and relative performance which, whilst hopefully remaining as a permanent feature, enabled the third phase, the issuance of subscription shares, subsequently exercised last August.

I now firmly believe that the Company has most of the critical requirements in place to deliver on Phase Four, which is an enduring reduction of the share price discount to the net asset value per share. Since the NAV has now crossed the psychological £100m mark, an important barrier has been overcome, enabling the Company to meet the investible threshold of a far wider group of potential investors and sell side analysts. Underlying liquidity in the stock has also significantly improved. Not only has the average daily traded volume doubled year on year, but the Company's shares have also recently been trading in greater daily volumes than that of our nearest competitor, Aberdeen New India, despite our market capitalisation being substantially smaller. The growth in assets combined with a focussed cost reduction programme over the last three years have lowered the ongoing charges (expense) ratio to 1.96% (down from 2.7% three years ago), thus bringing the cost ratio more in line with the competition; another key part of the longer-term restructuring plan.

Now the time is right to bring the unique qualities of the Company's investment approach, combined with better liquidity and lower costs, to a much broader audience. The Board has implemented a number of initiatives to achieve this. First, Numis Securities has been replaced by Stockdale Securities as the Company's broker. We were grateful for the work that Numis put in on our behalf, particularly in relation the Subscription Share issue, but the Directors were unanimous in their belief that a change was due. Stockdale have brought new energy to the task in hand, noticeably in the area of research distribution, trading and sales, which meets our current aim of becoming better known and better understood.

Second, in conjunction with the Investment Manager, the Board has employed the services of Marten and Co to write regular and detailed research on the Company throughout the year. Marten and Co have a broad and growing distribution reach, notably in the more retail end of the market, and I believe their involvement is already helping to bring our story to a wider audience. Both directing and complementing this effort is Ocean Dial as the Investment Manager, who have initiated a structured marketing plan

[1] The rebased NAV is the fairest representation of the Manager's performance across all periods, excluding the dilutive effect of the new ordinary shares issued on 8 August 2016, following the exercise of subscription rights.

for 2017. This will take India Capital Growth's investment story to a wider investment audience spanning all parts of the country. It must be said that none of this is worth the paper I am writing on, were it not for the fact that as an investment opportunity, India continues to attract growing levels of interest as a credible single country investment destination. More precise details of this can be gleaned from the Investment Manager's report but, after the disappointment of 2015, this year was also tumultuous for India, albeit of a different nature.

Following the State election victories for Prime Minister Modi's ruling party in March, his reform driven agenda gained much needed momentum. Central to this was the passage of the Goods and Services Tax (GST) which, when implemented, will result in huge productivity gains for the Government and corporates alike. In addition, much needed reform of the public banking system was initiated by the Reserve Bank of India (RBI), supported by the Finance Ministry, and further enhanced by the introduction of a new Bankruptcy Law. This remains work in progress, but it was encouraging to see that the changeover at the head of the RBI appears to have done nothing to dampen these efforts. For the first time in three years the country enjoyed a bountiful Monsoon, ensuring a healthy crop yield and refilling reservoirs for future planting seasons. It was this, perhaps, that tipped the balance for PM Modi in deciding to bring about "demonetisation", or the immediate removal of 86% of all currency notes in circulation in early November. The introduction of demonetisation takes "big bang reform" to a higher level, and is ambitious in its attempt to eradicate the shadow economy. Working in tandem with GST, and by encouraging greater use of technology, the Government is proactively forcing individuals and SMEs into the formal banking system thereby helping to eradicate "black money" and corruption.

In spite of these radical reform based policies, India underperformed the broader emerging asset class in 2016. Part of this is because countries such as Brazil and Russia benefited from huge rebounds in the value of their currencies and stock markets as oil and commodity prices recovered from a low base. Not surprisingly, PM Modi's reformist approach has brought about much short-term uncertainty about GDP growth and corporate earnings, and it is inevitable that the market should focus on these issues. But it is this that creates an opportunity, not just to consider India as an investment for the long term, but to continue to do so using India Capital Growth as the most appropriate investment vehicle and I look forward to reporting on the Company's progress at the half way point of 2017.

Finally, on behalf of the Board and the Managers, I would like to thank you all for your encouragement and patience in recent years.

Fred Carr I Chairman
29 March 2017

India Capital Growth Fund

Investment Manager's report

We started 2016 on the back of expectations of a strong year, supported by the initiatives undertaken by the Modi Government through its various reforms initiated since coming to power in 2014. What we saw instead was one of the most volatile periods in the market, driven to a large extent by global developments, and towards the end of the year, India's own attack on black money through demonetisation. The Net Asset Value (NAV) of the Fund during this period rose 20.4% in Sterling terms, though adjusting for the dilution caused by the exercise of the subscription shares, the rebased NAV was up 28.5%, in line with the Mid Cap Total Return Index, which was up 28.8%. Within this, the appreciation of the Rupee against Sterling accounted for 15% of the returns, while INR returns were 9% for the year. It was the mid cap stocks which once again performed better as the broader market rose only 1.9% during 2016.

The year started (up to mid-February) and ended (from late-October) with dramatic declines not just in India, but across emerging markets. The Chinese slowdown, changing views on US Fed rate hikes and global growth, Brexit and the US elections all contributed to the uncertainty. This is best reflected in FII fund flow movement, with India witnessing a net equity outflow of US$ 2.9bn during January and February, followed by net equity inflows of US$10.3bn during March to September, and once again, net outflows of US$4.6bn in the last three months of 2016. Panic caused by India's demonetisation in November 2016 further added to this uncertainty. Such sharp outflows, should ideally have led to a significantly steeper fall in the Indian markets, but the global outflows were more than matched by net domestic equity inflows, which totalled over US$5bn during the year.

But for the global developments pulling India back, we believe India emerged as a stand out economy in 2016 when compared to other emerging economies. On virtually every macroeconomic parameter there was improvement. The fiscal deficit was well under control at 3.5% of GDP, with a healthy growth in tax revenues (~17%), partly aided by increased taxes on petroleum products. Inflation at 3.4% was at a five year low, prompting a series of cuts in interest rates by the Reserve Bank of India. The current account deficit of 0.5% was also at historic lows when compared to a peak of 5% in 2012. Even the foreign exchange reserves have been sustained at US$360bn+ despite the outflows in the last three months of the year, to the extent that the Rupee was among the most stable currency against the US Dollar during the year. Another significant change being witnessed is the shift in household savings from physical assets (gold / real estate) to financial assets. This is being reflected in deposit growth exceeding credit growth in the banking system, as well as steady inflows in domestic equity mutual funds which are averaging almost US$700m a month. Should this be sustained, it could greatly alter the volatility in the Indian equity market.

The main concern was the persistent slowdown in the growth of the economy. Though India remained the fastest growing economy during the year, even outpacing China, GDP growth at ~7% has been trending downwards. Credit growth at 5% is at a record low. The primary reason is the lack of investment by the private sector, which is still operating at low capacity utilisation or is still in deleveraging mode. The fact that the global economy remained weak did not help matters as export growth was also negative during the year, though the trend has reversed in the last quarter. Consequently the banking sector continues to see record high 'non-performing assets' in the system, and though these have peaked, the trend downward is slow in the absence of credit growth.

Corporate earnings growth for the BSE Sensex companies, which was initially projected at 18%-20% for FY17, is now expected to be closer to 5%-6%.

What was however pleasing was the continued initiatives being taken by the Government in reforms as well as taking the initiative of kick-starting the investment cycle. We are already seeing a sharp upswing in the order flows coming out of the Road and Rail sector. The economy for the first time has a situation of surplus power and even coal output is exceeding demand. Moreover, various initiatives taken by the Government in 'Ease of Doing Business', 'Make in India' etc. continue to gather pace. A test of its success can be seen by the record FDI inflows of US$32bn in the first nine months of the calendar year, an increase of 21% over the same period in 2015.

We would however like to highlight two significant initiatives taken during the year, which we believe will be transformational going forward. The first is the passage of the Goods & Services Tax (GST) bill, which will be implemented from 1 July 2017. This has been almost 10 years in the making, but would possibly be the single biggest reform measure since the economy was opened up in the 1990s. It would provide a uniform tax structure across the country and enhance the efficiency across the system, reducing cost of operations and at the same time creating a level playing field with those avoiding paying taxes. The second measure was the surprise decision of the Government on 8 November to overnight demonetise all outstanding Rs500 and Rs1,000 currency notes. Thus overnight, 86% of currency in circulation by value became non legal tender. With holders of the currency being given 50 days to deposit the currency into the banking system, in one swoop the entire stock of unaccounted currency was forced back into the banking system. Having already built a huge IT infrastructure, the Government is now analyzing the data and hopes to structurally raise the tax to GDP ratio and also transform the economy from a cash economy towards a cashless economy.

These two reform measures, though structurally make India an even more promising growth story in the longer term, have made the short term outlook more challenging, generating uncertainty as well as disruptions. GST, given the scale of implementation and lack of knowledge base, particularly among small and medium enterprises, will have its challenges and push back investment plans. Demonetisation on the other hand has led to huge disruptions across the country. In the first week post-demonetisation, the economy virtually came to a halt. Even two months post, there are still pockets in the country which are severely affected, particularly in rural India. Many smaller businesses will need to permanently change the way they operate, and some may need to shut down. Hence it is only likely to be in H2FY18 that we will see a revival in earnings. At the same time, the global outlook from an Indian perspective is also not as favourable. A rise in commodity prices, protectionist policies by the US (IT and Healthcare are India's biggest exports to the US) and rising interest rates in the US (will hit FII flows) are all headwinds going into 2017.

Portfolio performance

Our strategy of following a bottom-up approach to buying stocks has helped during this period and we have ridden this volatility well. Due to the demonetisation impact on the economy, the forecast earnings growth for companies in our portfolio for FY17 has decreased to 14% vs. 27% at the beginning of the year. However most of the downgrade has been temporary in nature, with little or no impact on their forecast FY18 earnings, which has now grown in excess of 30%.

Positive attribution from the portfolio during the year came from Essel Propack (up 86%), Finolex Cables (up 65%), Max Financial Services (up 64%) and Yes Bank (up 61%), whilst negative attribution came from Ramkrishna Forgings (down 46%), Welspun India (down 35%) and Divis Laboratories (down 31%).

During the year, we entered into five new stocks and exited two. All the companies we have added to the portfolio are businesses which we have been tracking for some time, but waiting for the right entry price. Consequently we deployed all the subscription share proceeds and ended the year with a cash balance of 1.6% of NAV and a portfolio of 41 stocks. Over the next year we plan to reduce the number of stocks in the portfolio.

Portfolio additions and exits

Companies added	Sector	Companies exited	Sector
Essel Propack	Materials	Eicher Motors	Consumer Discretionary
Kitex Garments	Materials	KPIT	IT
Manpasand Beverages	Consumer Staples		
Skipper	Materials		
Welspun India	Consumer Discretionary		

Top 10 companies

COMPANY NAME	% WEIGHT IN PORTFOLIO	SECTOR	DESCRIPTION
Yes Bank	5.1%	Financials	5th largest private sector bank
Federal Bank	4.4%	Financials	Long established private sector bank
Jyothy Laboratories	4.2%	Consumer Staples	Consumer company with interest in fabric care, utensil cleaners, etc.
Dewan Housing	3.9%	Financials	3rd largest private sector housing finance company
Motherson Sumi	3.8%	Consumer Discretionary	India's largest auto wiring company and one of the largest auto component makers
PI Industries	3.4%	Materials	Agrochemical and custom synthesis manufacturer for leading agrochemical innovators globally
Dish TV India	3.3%	Consumer Discretionary	Largest "Direct To Home" TV provider with 27% market share in India
Kajaria Ceramics	3.1%	Industrials	Largest tile manufacturer in India
City Union Bank	2.9%	Financials	Small regional bank focusing on small/ medium enterprises
Indusind Bank	2.9%	Financials	6th largest private sector bank

Ocean Dial Asset Management
29 March 2017

Directors

The Directors as at 31 December 2016, all of whom are non-executive, are as follows:

Fred Carr (Chairman)
Aged 71, Fred was appointed to the Board as Chairman on 17 September 2009. He spent his career in stockbroking and investment management, ultimately (1993 - 2004) as Chief Executive of Carr Sheppards Crosthwaite. He is a Fellow of the Chartered Institute of Securities and Investment. He is a resident of the United Kingdom.

Peter Niven
Aged 62, Peter was appointed to the Board on 11 August 2011. He has over 40 years' experience in the financial services industry both in the UK and offshore. He was a senior executive in the Lloyds TSB Group until his retirement in 2004 and until July 2012 was the Chief Executive of Guernsey Finance LBG, promoting the island as a financial services destination. He is a Fellow of the Chartered Institute of Bankers and a Chartered Director. He is a resident of Guernsey

John Whittle
Aged 61, John was appointed to the Board on 17 November 2011. He is a Chartered Accountant and holds the IoD Diploma in Company Direction. He was previously Finance Director of Close Fund Services, a large independent fund administrator. Prior to moving to Guernsey he was at PriceWaterhouse in London before embarking on a career in business services, predominantly telecoms. He is a resident of Guernsey.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The following summarises the Directors' directorships in other public companies:

	COMPANY NAME	STOCK EXCHANGE
Fred Carr		
	M&G High Income Investment Trust Plc	London
Peter Niven		
	F&C Commercial Property Trust Limited	London
	Guernsey Portfolios PCC Limited	TISE
	SQN Asset Finance Income Fund Limited	London
John Whittle		
	Aberdeen Frontier Markets Investment Company Limited	AIM
	GLI Finance Limited	AIM
	Globalworth Real Estate Investments Limited	AIM
	International Public Partnerships Limited	London
	Starwood European Real Estate Finance Limited	London
	Toro Limited	SFS

India Capital Growth Fund

Directors' report

The Directors present their Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2016 which have been properly prepared in accordance with The Companies (Guernsey) Law, 2008 as amended.

The Company

India Capital Growth Fund Limited (the "Company") was registered in Guernsey on 11 November 2005 and is a closed-ended investment company. At 31 December 2016, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited. The Company's Ordinary Shares are admitted to trading on the AIM market of the London Stock Exchange ("AIM").

Investment policy

The Company's investment objective is to provide long-term capital appreciation by investing (indirectly) in companies based in India. The investment policy permits the Company to make investments in a range of Indian equity and equity linked securities and predominantly in listed mid and small cap Indian companies with a smaller proportion in unlisted Indian companies. Investment may also be made in large-cap listed Indian companies and in companies incorporated outside India which have significant operations or markets in India. While the principal focus is on investment in listed equity securities or equity linked securities, the Company has the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of securities. The Company may, for the purposes of hedging and investing, use derivative instruments such as financial futures, options and warrants. The Company may, from time to time, use borrowings to provide short-term liquidity and, if the Directors deem it prudent, for longer term purposes. The Directors intend to restrict borrowings on a longer term basis to a maximum amount equal to 25% of the net assets of the Company at the time of the drawdown. It is the Company's declared policy not to hedge the exposure to the Indian Rupee.

Results and dividends

The Company's performance during the year is discussed in the Investment Manager's report.

The results for the year are set out in the audited statement of comprehensive income.

Consistent with the Company's investment policy of providing long term capital appreciation, the Directors do not recommend the payment of a dividend for the year ended 31 December 2016 (31 December 2015: £nil)

Significant interests

Shareholders who have notified the Company they held an interest of 3% or more of the Ordinary Share Capital of the Company at 31 December 2016 are stated in the table below:

	NUMBER OF SHARES	% HOLDING
Lazard Asset Management	25,329,234	22.51
Gramercy	12,187,294	10.83
LIM Advisors	7,435,698	6.61
Miton Asset Management	6,965,000	6.19
Hargreaves Lansdown	5,364,212	4.77
Aberdeen Emerging Capital	5,106,944	4.54
Rathbones	3,800,449	3.38
Schroder Investment Management	3,606,885	3.21

At 31 December 2016, the Investment Manager, Ocean Dial Asset Management Limited and connected persons (not elsewhere disclosed) held no Ordinary Shares in the Company.

Directors

The names and a short biography of the Directors of the Company, each of whom served throughout the year and to date, are set out on page 9.

On 30 June 2016, Mr Vikram Kaushik resigned from his position as Director of the Company.

Directors' interests

At 31 December 2016, Directors and their immediate families held the following declarable interests in the Company:

	ORDINARY SHARES
Fred Carr	195,000
Peter Niven	37,500
John Whittle	30,000

Independent Auditor

The Independent Auditor, Deloitte LLP, has indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Ongoing Charges

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the ongoing charges ratio of the Company and its subsidiary for the year ended 31 December 2016 was 1.96% based on average AUM of £80,057,000 (31 December 2015: 2.09% based on average AUM of £59,799.000).

Corporate governance

The AIC Code of Corporate Governance (the "AIC Code") was updated in March 2015 following the issuance of a new UK Corporate Governance Code (the "UK Code") by the UK Financial Reporting Council in September 2014. It is designed to provide Boards of its member investment companies with a framework of best practice in respect of the governance of investment companies. The Company's shares are quoted on AIM, and as such the Company is not formally required to comply with the UK Code. However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and accordingly seek to comply with the principles of the AIC code.

The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission ("GFSC Code"). Companies reporting against the UK Code or the AIC Code are deemed to comply with the GFSC Code.

Corporate governance principles

The Board considers that it has complied with the AIC Code during the year ended 31 December 2016 except that there is no provision in the Company's Articles of Incorporation which requires Directors to seek re-election on a periodic basis, and only Directors appointed to fill a casual vacancy seek re-election at the AGM immediately following their appointment. There is no limit on length of service, nor is there any upper age restriction on Directors. The Board considers that there is significant benefit to the Company arising from continuity and experience among Directors, and accordingly does not intend to introduce restrictions based on age or tenure. It does however believe that shareholders should be given the opportunity to review membership of the Board on a regular basis. The Board has thus resolved that, in addition to the Articles requirement for re-election at the AGM immediately following appointment, any Director who has served for more than nine years should offer him or herself for re-election annually, and that one third of the remaining Directors should retire by rotation at each AGM and be eligible to seek re-election.

Composition and independence of the Board

The Board currently consists of three non-executive directors, all of whom are independent. The Chairman of the Board is Fred Carr. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence, and has determined that Mr Carr is an Independent Director. As the Chairman is an Independent Director, no appointment of a Senior Independent Director has been made. The Company has no employees and therefore there is no requirement for a Chief Executive.

Board Meetings

The Board generally meets on at least four occasions each year, at which time the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company.

Board meetings, Committee meetings and Directors' attendance

During the year the Directors in attendance at meetings were as listed in the table below:

	BOARD MEETING		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED
Fred Carr (Chairman)	4	4	-	-
Vikram Kaushik	2	2	-	-
Peter Niven	4	4	2	2
John Whittle	4	4	2	2

Performance evaluation
On an annual basis the Board formally considers the independence of its members, its effectiveness as a Board, the balance of skills represented and the composition and performance of its committees. The Board considers that it has an appropriate balance of skills and experience in relation to the activities of the Company and offers relevant training where necessary. The Chairman evaluates the performance of each of the Directors on an annual basis, taking into account the effectiveness of their contributions and their commitment to the role. The performance and contribution of the Chairman is reviewed by the other Directors under the leadership of the Chairman of the Audit Committee. The conclusion of the 2016 review was that the skill sets of the members of the Board were complementary, and that the Board functioned effectively.

Nomination committee
The size of the Board and independence of its members are such that it fulfils the role of the Nomination Committee. Any proposal for a new director is discussed and approved by the Board, having considered the current skills, experience and diversity of the Board. The Board will determine whether an external search consultancy or open advertising is used in the appointment of a non-executive director and ensure relevant induction training is provided upon commencement. The Chairman will not chair the Board meeting when it is dealing with the appointment of a successor to the chairmanship.

Remuneration Committee
As the Directors are non-executive and few in number, the Board has decided that it is not appropriate to form a separate Remuneration Committee. Remuneration is reviewed annually and discussed by the Board as a whole with independent input.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Audit committee
The members of the Company's Audit Committee are Peter Niven (Chairman) and John Whittle. The Audit Committee conducts formal meetings throughout the year for the purpose, amongst others, of considering the appointment, independence, effectiveness of the audit and remuneration of the auditors and to review and recommend the annual statutory accounts and interim report to the Board. Full details of its functions and activities are set out in the Report of the Audit Committee on pages 19 to 21.

Risk Management and Internal control
The Board is responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board also considers the process for identifying, evaluating and managing any significant risks faced by the Company. At each quarterly meeting of the Board a report on the control environment and risk assessment is presented and considered. Changes in the risk environment are highlighted as are changes in the controls in force to manage or mitigate those risks. The Board is satisfied that appropriate controls are in place in relation to the key risks faced by the business.

Principal Risks and Uncertainties
The Board has drawn up a risk assessment matrix, which identifies the key risks to the Company. These fall into the following broad categories:

- Investment Risks: The Company is exposed to the risk that its portfolio fails to perform in line with the investment objectives and policy if it is inappropriately invested or markets move adversely. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the constitution of the portfolio, its liquidity and its attribution by sector and weighting compared to the BSE Mid Cap Total Return Index.

- Operational Risks: The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Investment Manager, the Administrator, or the Company's other service providers. The Audit Committee visit the Investment Manager annually to perform a due diligence review of its controls and the Board receives reports annually from the Administrator on their internal controls.

- Accounting, Legal and Regulatory Risks: The Company is exposed to risk if it fails to comply with the AIM Rules of Companies and the Guernsey, Mauritian and Indian laws and regulations or if it fails to maintain accurate accounting records. The Investment Manager and Administrator provides the Board with regular reports on changes in regulations and accounting requirements.

- Political and Economic risks: The Company's assets may be affected by uncertainties in India such as political developments, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations

- Taxation Risks: The Company is exposed to the risk of additional taxation charges from several geographical jurisdictions in which the Company, its service providers or its investment portfolio resides. The risk that appropriate tax residency is not maintained may result from poor administration or by changes in Government policy. The board receives quarterly updates from the Investment Manager and the Administrator who is responsible for tax residence administration.

- Financial Risks: The financial risks, including market, foreign currency, credit and liquidity risk, faced by the Company, where appropriate, are set out in note 12 to the financial statements. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting.

The Board seeks to mitigate and manage these risks through continual review, policy-setting and enforcement of contractual obligations and will update the risk assessment matrix to reflect any changes to the control environment.

The Board confirms that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Supply of information to the Board

Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance and compliance. A representative of the Investment Manager attends each Board meeting thus enabling the Board to discuss fully and review the Company's operation and performance. Each Director has direct access to the Company Secretary, and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Delegation of functions

The Board has contractually delegated various functions as listed below, to external parties. Each of these contracts have been entered into after full and proper consideration by the Board, mindful of the quality and cost of services offered, including the control systems in operation as far as they relate to the affairs of the Company. The duties of investment management, accounting and custody are segregated.

- Investment Management is provided by Ocean Dial Asset Management Limited, a company authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA).

- Administration and Company Secretarial duties for the Company during the year were performed by Apex Fund Services (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission. Those for the subsidiary were performed by Apex Fund Services (Mauritius) Limited, a company registered in Mauritius and licensed by the Financial Services Commission in Mauritius.

- Custody of assets is undertaken by Kotak Mahindra Bank Ltd., which is registered as a custodian with the Securities and Exchange Board of India (SEBI).

The Board has instituted a formal annual review of the performance of all material external service providers and of the related contractual terms.

Investment management

The Investment Manager is entitled to receive a management fee payable jointly by the Company and the Mauritian subsidiary, ICG Q Limited, equivalent to 1.5% per annum of the Company's Gross Asset Value, calculated and payable monthly in arrears. The Company's Gross Asset Value consists of the Net Assets of the Company before the deduction of management fees. For purposes of the calculation of these fees current liabilities exclude any proportion of principal amounts borrowed for investment. To date, the Company has not borrowed for investment or any other purpose.

No separate Management Engagement Committee has been constituted as the monitoring of management is considered a primary function of the Board. The Board as a whole reviews the performance of the Investment Manager at each quarterly Board Meeting and considers whether the investment strategy utilised is likely to achieve the Company's investment objective. Having considered the portfolio performance and investment strategy, the Board has agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed. The Board also reviews at least annually, the performance of its key service providers.

The Investment Management Agreement continues in force until determined by the Investment Manager or the Company giving not less than 12 months' notice to the other party.

From time to time the extent of powers delegated to the Investment Manager and matters upon which decision making is reserved to the Board are reviewed and considered. In particular, the approval of the Board (or a designated committee) is required in relation to:

- Borrowings (other than on a temporary basis)
- Investment in unlisted securities (other than those arising on a temporary basis from demergers from existing listed holdings).
- Exercise of share buy-back powers
- Policy on currency hedging

The Investment Manager reports to the Board on a semi-annual basis on brokers used for executing trades and the commission paid to brokers analysed between brokerage and research services. The Investment Manager does not use commissions paid by the Company to pay for services used by the Investment Manager other than directly related research services provided by the broker. There is a procedure in place whereby any prospective conflict of interest is reported by the Investment Manager to the Chairman and a procedure to manage the prospective conflict agreed. The Investment Manager's policy on conflicts is reviewed by the Board annually.

The provisions of the UK Stewardship Code do not apply to the Company as all investments are outside the United Kingdom. The Board has delegated to the Investment Manager the power to vote in relation to ICG Q Limited's, the Company's wholly-owned subsidiary, holdings in Indian listed companies.

Alternative Investment Fund Managers Directive ("AIFMD")

The Investment Manager, Ocean Dial Asset Management Limited, is registered with the FCA as an Alternative Investment Fund Manager ("AIFM") and is authorised as a small Authorised UK AIFM. Consequently, AIFM remuneration disclosures are not required.

The Board has appointed the Investment Manager to act as its AIFM.

Foreign Account Tax Compliance Act ("FATCA") and Common Reporting Standard ("CRS")

For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number and can be found on the IRS FFI list. The responsible officer is Robin Sellers, CEO of the Investment Manager.

The Company is subject to Guernsey regulations and guidance based on reciprocal information sharing inter-governmental agreements which Guernsey has entered into with the United Kingdom and the United States of America. The Board will take the necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

The Company has also made arrangements to collect certain information about the tax residency of each investor as required by the regulations of CRS.

Shareholder communications

A report on Shareholder communications is considered at each quarterly Board Meeting. A monthly Fact Sheet is published on the Company's website reporting the month-end Net Asset

Value and with a commentary on performance. In addition, the Investment Manager reports a daily estimated, unaudited Net Asset Value. The Investment Manager and the Corporate Broker maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board. In addition, Board members are available to answer shareholders' questions at any time, and specifically at the Annual General Meeting. The Company Secretary is available to answer general shareholder queries at any time during the year. The Board monitors activity in the Company's shares and the discount or premium to Net Asset Value at which the shares trade both in absolute terms and relative to the Company's peers.

The Company has the authority, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008 as amended, to buy-back in the market, up to 14.99% of the shares in issue. The Company intends to request renewal of this power from shareholders on an annual basis. The Board did not consider it appropriate to exercise such powers in 2016.

In order to ensure the Board members have an understanding of the views of the major shareholders about their Company, the Investment Manager and the Corporate Broker, who regularly engage with those shareholders, both report those views to the Board Members at each board meeting.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements since the assets of the Company's wholly-owned subsidiary consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Viability Statement

The Directors have assessed the prospects of the Company for a period of three years. The Board believes this time period is appropriate having consideration for the Company's principal risks and uncertainties, its portfolio of liquid listed equity investments and cash balances and the Company's "Three Yearly Performance Assessment" as agreed at the 2014 AGM. In making this assessment, the Directors have considered detailed information provided at board meetings which include the Company's balance sheet, market capitalisation, share price discount, investment performance and in particular, performance against the BSE Mid Cap Total Return Index, investment portfolio liquidity, income and operating expenses. Based on the above, but critically, subject to the Company achieving its Three Year Perfomance Assessment in August 2017 or, if it does not, the shareholders agreeing to the continuation of the Company at its AGM in September 2017, the Board confirms it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of this assessment, assuming there are no significant changes in the global financial markets over the three year period.

Approved by the Board of Directors and signed on behalf of the Board on 29 March 2017

Peter Niven **John Whittle**

Statement of Directors' Responsibility in respect of the Annual Audited Financial Statements

The Directors are responsible for preparing the Directors' Report, Directors' Remuneration Report, Portfolio Statement and the Financial Statements in accordance with applicable laws.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in conformity with International Financial Reporting Standards ("IFRS"), as adopted by the EU and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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 applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 as amended. They have 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.

We confirm to the best of our knowledge that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information;
- these Financial Statements have been prepared in conformity with IFRS as adopted by the EU and give a true and fair view of the financial position of the Company; and
- this Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

Approved by the Board of Directors and signed on behalf of the Board on 29 March 2017

Peter Niven **John Whittle**

Unaudited Directors' Remuneration report

Introduction

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to the Shareholders at the next Annual General Meeting.

Remuneration Policy

Since the Directors are non-executive and few in number, the Company has not established a Remuneration Committee.

The Company's Articles of Incorporation provide that unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two and the aggregate remuneration of all Directors in any 12 month period or pro rata for any lesser period shall not exceed £100,000 or such higher amount as may be approved by ordinary resolution. The level of Directors' fees is determined by the whole Board on an annual basis but no Director is involved in setting his own remuneration. When considering the level of Directors' remuneration the Board considers the industry standard and the level of work that is undertaken.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

The Board shall have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, provided that no person shall be appointed as a Director under any provision of the Articles if their appointment would cause or permit the aggregate of the number of Directors resident in the United Kingdom or the United States for the purposes of United Kingdom or United States taxation, as the case may be, to constitute a majority of Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Remuneration

As a result of its annual review of Directors' remuneration, the Board as a whole determined to increase directors' fees with effect from 1 January 2016. Directors' fees for the years ended 31 December 2016 and 31 December 2015 are listed below:

	FOR THE YEAR ENDED 31 DEC 2016 £	FOR THE YEAR ENDED 31 DEC 2015 £
Fred Carr (Chairman)	**28,000**	25,000
Peter Niven (Chairman of the Audit Committee)	**22,000**	19,000
Vikram Kaushik (resigned on 30 June 2016)	**10,000**	18,000
John Whittle	**20,000**	16,000

No additional sums were paid in the year to Directors for work on behalf of the Company outside their normal duties. None of the Directors had a service contract with the Company during the year and accordingly a Director is not entitled to any minimum period of notice or to compensation in the event of their removal as a Director.

Report of the Audit Committee

Introduction

The Audit Committee (the "Committee") Report for 2016 is presented below. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the Independent Auditor and the internal control and risk management systems of the Company and its service providers.

Structure and Composition

The Committee is chaired by Peter Niven and the other member is John Whittle.

The Chairman of the Committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chairman of the Committee. The Committee shall have a minimum of two members. All members of the Committee shall be independent non-executive directors with recent relevant financial experience.

The Audit Committee conducts formal meetings at least twice a year, normally immediately preceding the Board meetings at which the financial statements for the half-year and year end are reviewed. Only members of the Committee have the right to attend meetings although, with the consent of the Chairman of the Committee, other Directors may be in attendance. The table on page 12 sets out the number of Audit Committee meetings held during the year ended 31 December 2016 and the number of such meetings attended by each committee member. The independent auditor is invited to attend those meetings at which the annual and interim reports are considered. The independent auditor and the Committee may meet together without representatives of either the Administrator or Manager being present if either considers this to be necessary.

Principal Duties of the Committee

The role of the Committee includes:

- monitoring the integrity of the financial statements and any formal announcements regarding financial performance;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Company's published financial statements, (having regard to matters communicated by the independent auditors) preliminary announcement and other financial information;
- reviewing the effectiveness of the external audit process and the auditors' independence;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's independent auditor;
- reviewing arrangements by which persons associated with the key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate proportionate independent investigation of such matters is undertaken; and
- assessing whether the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, which can be obtained from the Company's website.

Independent Auditor

Deloitte LLP acted as the Independent Auditor of the Company in respect of the year ended 31 December 2016.

The recent revisions to the UK Corporate Governance Code introduced a recommendation that the independent audit of FTSE 350 companies be put out to tender every 10 years. Similarly, the EU and the Competition Markets Authority have also issued requirements to tender every 10 years and extend for a maximum of further 10 years before mandatory rotation, which is yet to be finalised. The Committee will follow the developments around the FRC, EU and Competition Markets Authority guidance on tendering and consider the impact for offshore entities.

The independence and objectivity of the Independent Auditor is reviewed by the Audit Committee which also reviews the terms under which the independent auditor is appointed to perform non-audit services. The outsourcing of any non-audit service to the Independent Auditor requires prior Committee approval where fees for the service are in excess of £10,000 cumulative over the financial year.

As a general rule, the Company does not utilise the Independent Auditor for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted relative to the established non-audit services policy of the Company.

Given that the fees paid by the Company listed on page 38 are currently below the specified threshold, the Company can be deemed to not be in breach of independence and objectivity.

Evaluations during the year

The following assessments have been made by the Committee during the year:

Significant Financial Statement Issues

Liquidity and Valuation - The ongoing liquidity of the Company's investment portfolio was evaluated, which included a review of both financial and relative non-financial information. Due to the liquid nature of ICG Q Limited's holdings and the Company's ability to effect a disposal of any investment in ICG Q Limited's portfolio at the prevailing market price and the distribution of proceeds back to the Company should it so wish, it was determined that no illiquidity discount would be applied in determining the fair value of the Company's investment in ICG Q Limited.

The foregoing matter was discussed during the planning and final stage of the audit and there were no significant disagreements between the management and the Independent Auditor.

Effectiveness of the External Audit Process

The Committee had formal meetings with Deloitte LLP during the course of the year: 1) at the review and approval of the year end accounts, which included planning discussion for the next half-year accounts; and 2) at the review and approval of the half-year accounts, which included planning discussion for the next annual accounts. The Committee performed the following in relation to its review of the effectiveness and independence of the Independent Auditor:

- Challenged the audit plan presented to the Committee before the start of the audit;
- Challenged the post audit report;
- Challenged the Auditor's own internal procedures to identify threats to independence, which included obtaining confirmation from the Independent Auditor of their independence;
- Discussed with both the Investment Manager and the Administrator any feedback on the external audit process;
- Challenged and approved terms of the engagement of both the audit and non-audit services during the year, which included an evaluation of the relating fees.

In addition, the Committee performed an evaluation of the performance of the independent auditor.

There were no significant findings from the evaluation this year and the Committee is satisfied that the external audit process is effective.

Audit fees and Non-audit Services

The table below summarises the remuneration paid by the Company to the Independent Auditor:

	2016 £	2015 £
Annual Audit	**22,500**	22,500
Interim Review	**3,500**	3,500
Tax Services - FATCA review	**-**	4,500

Internal Control

The Audit Committee has examined the need for an internal audit function. The Audit Committee considered that the systems and procedures employed by the Manager and the Administrator provided sufficient assurance that a sound system of internal control, which safeguards the Company's assets, has been maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit Committee examined externally prepared assessments of the control environment in place at the Investment Manager and the Administrator with the latter providing an independent service auditor's report in accordance with ISAE 3402 for the year ended 30 September 2016.

Conclusion and Recommendation

After consultations with the Independent Auditor as necessary and reviewing various reports from the Manager such as the quarterly performance reports, portfolio attribution, portfolio turnover reporting and assessing the Significant Financial Statement Issues listed on page 20, the Audit Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee further concludes that the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's performance, business model and strategy.

At the conclusion of the external audit process, the Independent Auditor reported to the Committee that no material misstatements were found in the course of its work. Furthermore, both the Manager and the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

Following the detailed review and evaluation processes identified in this report, the Committee has concluded that the auditors have acted independently in the work undertaken on behalf of the Company and has recommended to the Board that Deloitte LLP be reappointed as Independent Auditor of the Company for the coming financial year.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each Annual General Meeting to respond to such questions.

Peter Niven
Audit Committee Chairman
29 March 2017

Independent auditor's report

Independent auditor's report to the members of India Capital Growth Fund Limited

Opinion on financial statements of India Capital Growth Fund Limited ("the Company")

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 as amended.

The financial statements that we have audited comprise:

the Statement of Comprehensive Income;
the Statement of Changes in Equity;
the Statement of Financial Position;
the Statement of Cash Flows; and
the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.
any of the prohibited non-audit services referred to in those standards.

Summary of our audit approach

Key risk	The key risk that we identified in the current year relates to the valuation of the Company's investment in its subsidiary, ICG Q Limited.
Materiality	The materiality that we used in the current year was £1,004k which was determined on the basis of 1% of Net Assets.
Scoping	The Company holds the underlying investment in ICG Q Limited. Deloitte Guernsey carried out the substantive audit work of both the Company and ICG Q Limited.
Significant changes in our approach	Our audit approach is consistent to that in the prior financial year.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the company

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 1 to the financial statements and the directors' statement on the longer-term viability of the company contained within the Directors' report on page 16.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 13 to 14 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 16 as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the company and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk description	How the scope of our audit responded to the risk
Valuation of the Company's Investment in its Subsidiary The Company's investment in its subsidiary has a fair value of £100.4m (2015: £60.5m) as at 31 December 2016. This is comprised solely of an equity investment in the Company's wholly owned subsidiary, ICG Q Limited ("ICGQ"). The fair value of ICGQ reflects the underlying fair value of its net assets. ICGQ's underlying investments comprise listed equity securities. Errors or deliberate manipulation of valuations or of recorded investment holdings could result in material misstatement of the financial statements. Details of the investments are disclosed in notes 5 and 11 and the accounting policies relating to them are disclosed in note 1. Investments are the most quantitatively significant balance in the Statement of Financial Position of ICG Q and are an area of focus as they drive the net asset value of ICGQ and ultimately of the Company.	In order to test the investments balance as at 31 December 2016 we performed the following procedures: - Assessed the design and implementation of controls relating to the valuation of investments, including controls adopted by the Company's administrators; - Assessed the valuation policy and methodology adopted by management in comparison to IFRS and industry practice; - Reconciled the number of underlying equity shares held by ICGQ as at 31 December 2016 to an independently received custodian confirmation; - Obtained independent pricing information as at 31 December 2016 in order to recalculate the fair value of all of the investments held by ICGQ; - Tested the initial cost and cut-off of investment transactions by agreeing the purchase and sale of a sample of ICGQ's equity shares to independent confirmations; - We reviewed trading volumes for a sample of investments and enquired as to any liquidity issues with management; and - We have reconciled the carrying value of the Company's investment to the net asset value of ICG Q Limited.
Key observations	Based on our audit work, we concurred with the directors that the valuation of the investment was appropriate.

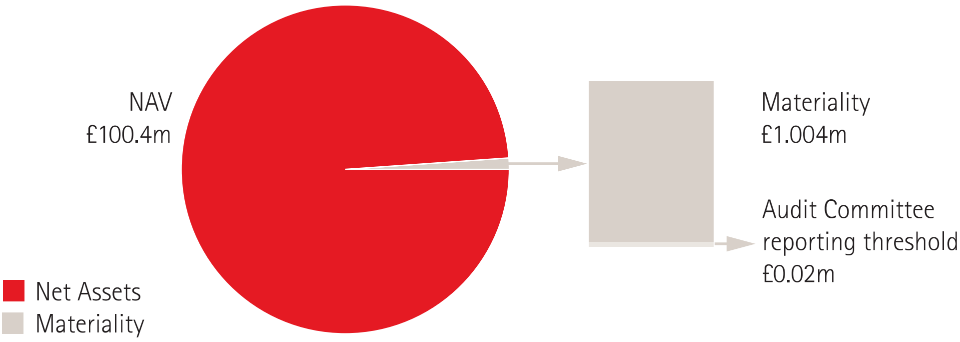
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1,004,000 (2015: £604,000)
Basis for determining materiality	1% of Net Assets, which is consistent with the prior year. The increase in materiality is solely driven by the increase in net assets.
Rationale for benchmark applied	Net Assets is the key balance considered by the users of the financial statements which is consistent with the market approach for such entities



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000 (2015: £12,000 agreed by the previous auditor), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal controls, and assessing the risks of material misstatement.

The Company holds the underlying investment in ICG Q Limited. Deloitte Guernsey carried out the substantive audit work of both the Company and ICG Q Limited and have therefore audited both companies directly.

The administrator maintains the books and records of the Company and its subsidiary. Our audit therefore included obtaining an understanding of this service organisation (including obtaining and reviewing their controls assurance report) and its relationship with the Company.

Independent auditor's report (continued)

Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records Under the Companies (Guernsey) Law, 2008 as amended we are required to report to you if, in our opinion: - we have not received all the information and explanations we require for our audit; or - proper accounting records have not been kept; or - the financial statements are not in agreement with the accounting records.	**We have nothing to report in respect of these matters.**
Our duty to read other information in the Annual Report Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or - otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.	**We confirm that we have not identified such inconsistencies or misleading statements.**
Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.	**We have nothing to report arising from our review**

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008 as amended. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Becker (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
St Peter Port, Guernsey

29 March 2017

The maintenance and integrity of the India Capital Growth Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal investments of ICG Q Limited

As at 31 December 2016

HOLDING	MARKET CAP SIZE	SECTOR	VALUE £000	% OF COMPANY NAV
Yes Bank	L	Financials	5,129	5.10
Federal Bank	S	Financials	4,407	4.39
Jyothy Laboratories	S	Consumer Staples	4,237	4.22
Dewan Housing	S	Financials	3,943	3.92
Motherson Sumi Systems	M	Consumer Discretionary	3,858	3.84
PI Industries	S	Materials	3,387	3.37
Dish TV India	S	Consumer Discretionary	3,363	3.35
Kajaria Ceramics	S	Industrials	3,070	3.06
City Union Bank	S	Financials	2,963	2.95
Indusind Bank	L	Financials	2,948	2.93
Welspun India	S	Consumer Discretionary	2,904	2.89
Max Financial Services	M	Financials	2,829	2.82
Finolex Cables	S	Industrials	2,760	2.75
Tech Mahindra	L	IT	2,719	2.71
NIIT Technologies	S	IT	2,673	2.66
The Ramco Cements	S	Materials	2,672	2.66
Sobha Developers	S	Real Estate	2,650	2.64
Essel Propack	S	Materials	2,636	2.62
Exide Industries	M	Consumer Discretionary	2,624	2.61
Berger Paints India	M	Materials	2,473	2.46
Total top 20 equity investments			**64,245**	**63.94**

Refer to page 30 for market capitalisation size definitions.

India Capital Growth Fund

Portfolio statement of ICG Q Limited

As at 31 December 2016

HOLDING	MARKET CAP SIZE	NOMINAL	VALUE £000	% OF COMPANY NAV
Listed securities				
Consumer discretionary				
Balkrishna Industries	S	149,421	1,975	1.95
Dish TV India	S	3,314,606	3,363	3.35
Exide Industries	M	1,215,336	2,624	2.61
Kitex Garments	S	426,000	2,076	2.07
Mahindra CIE Auto	S	870,000	1,916	1.91
Motherson Sumi Systems	M	985,827	3,858	3.84
UFO Moviez India	S	39,956	197	0.20
Welspun India	S	3,624,271	2,904	2.89
			18,913	**18.82**
Consumer staples				
Dabur India	L	590,000	1,967	1.95
Emami	M	195,000	2,224	2.21
Jyothy Laboratories	S	1,043,355	4,237	4.22
Manpasand Beverages	S	300,000	1,985	1.98
Radico Khaitan	S	700,000	940	0.94
			11,353	**11.30**
Financials				
City Union Bank	S	1,913,676	2,963	2.95
Dewan Housing	S	1,350,000	3,943	3.92
Federal Bank	S	5,500,000	4,407	4.39
Indian Bank	S	754,400	1,997	1.99
Indusind Bank	L	222,000	2,948	2.93
Max Financial Services	M	430,000	2,829	2.82
Yes Bank	L	370,000	5,129	5.10
			24,216	**24.10**
Healthcare				
Ajanta Pharma	M	60,000	1,282	1.28
Divis Laboratories	M	245,100	2,303	2.29
Lupin	L	108,934	1,942	1.93
Neuland Laboratories	S	128,996	1,596	1.59
			7,123	**7.09**
Industrials				
Finolex Cables	S	556,597	2,760	2.75
Jain Irrigation Systems	S	2,190,000	2,313	2.30
Industrials continued				
Kajaria Ceramics	S	550,000	3,070	3.06

Portfolio statement of ICG Q Limited (continued)

HOLDING	MARKET CAP SIZE	NOMINAL	VALUE £000	% OF COMPANY NAV
Voltas	S	454,570	1,788	1.77
			10,464	**10.41**
IT				
NIIT Technologies	S	525,000	2,673	2.66
Tech Mahindra	L	464,000	2,719	2.71
			5,392	**5.37**
Materials				
Berger Paints India	M	980,000	2,473	2.46
Essel Propack	S	898,260	2,636	2.62
Good Luck India	S	518,343	542	0.54
JK Lakshmi Cement	S	500,000	2,101	2.09
PI Industries	S	340,000	3,387	3.37
Ramkrishna Forgings	S	700,000	2,376	2.36
Skipper	S	1,305,000	2,171	2.16
The Ramco Cements	S	406,702	2,672	2.66
			18,358	**18.27**
Real Estate				
Arihant Foundations & Housing	S	592,400	406	0.40
Sobha Developers	S	900,000	2,650	2.64
			3,056	**3.04**
Total equity investments			**98,875**	**98.41**
Cash less other net current liabilities of ICG Q Limited			1,499	1.49
Total net assets of ICG Q Limited			**100,374**	**99.90**
Cash less other net current liabilities of the Company			104	0.10
Total Net Assets			**100,478**	**100.00**

Market capitalisation	
L: Large cap – companies with a market capitalisation above US$7bn (£5.6bn)	16.84
M: Mid cap – companies with a market capitalisation between US$2bn and US$7bn (£1.6bn - £5.6bn)	36.17
S: Small cap – companies with a market capitalisation below US$2bn (£1.6bn)	45.40
	98.41

The information above relates to the investment portfolio held by ICG Q Limited, the Company's wholly owned subsidiary.

Audited statement of comprehensive income

For the year ended 31 December 2016

	NOTES	REVENUE £000	CAPITAL £000	YEAR TO 31.12.16 TOTAL £000	YEAR TO 31.12.15 TOTAL £000
Income					
Net gains on financial asset at fair value through profit or loss	5	**–**	**17,385**	**17,385**	5,073
Total income		**–**	**17,385**	**17,385**	5,073
Expenses					
Operating expenses	3	**(336)**	**–**	**(336)**	(285)
Foreign exchange loss		**(2)**	**–**	**(2)**	(1)
Investment management fees		**76**	**–**	**76**	-
Total expenses		**(262)**	**–**	**(262)**	(286)
(Loss)/profit for the year before taxation		**(262)**	**17,385**	**17,123**	4,787
Taxation	6	**–**	**–**	**–**	-
(Loss)/profit for the year after taxation		**(262)**	**17,385**	**17,123**	4,787
Earnings per Ordinary Share (pence)	**4**			**19.04**	6.38
Fully diluted earnings per Ordinary Share (pence)	**4**			**19.04**	6.38

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with IFRS as adopted by the EU. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies, as disclosed in the Basis of Preparation in Note 1.

The profit after tax is the "total comprehensive income" as defined by IAS 1. There is no other comprehensive income as defined by IFRS and all the items in the above statement derive from continuing operations.

The notes on pages 35 to 44 form part of these financial statements.

Audited statement of financial position

As at 31 December 2016

	NOTES	31.12.16 £000	31.12.15 £000
Non-current assets			
Financial assets designated at fair value through profit or loss	5	**100,374**	60,509
Current assets			
Cash and cash equivalents		**144**	96
Receivables	7	**139**	21
		283	117
Current liabilities			
Payables	8	**(179)**	(146)
Net current assets/(liabilities)		**104**	(29)
Net assets		**100,478**	60,480
Equity			
Ordinary share capital	10	**1,125**	750
Reserves		**99,353**	59,730
Total equity		**100,478**	60,480
Number of Ordinary Shares in issue	10	**112,502,173**	75,001,463
Net Asset Value per Ordinary Share (pence) – Undiluted		**89.31**	80.64
Net Asset Value per Ordinary Share (pence) – Diluted		**89.31**	74.09

The audited financial statements on pages 31 to 44 were approved by the Board of Directors on 29 March 2017 and signed on its behalf by:

Peter Niven **John Whittle**

The notes on pages 35 to 44 form part of these financial statements.

Audited statement of changes in equity

For the year ended 31 December 2016

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	SHARE PREMIUM £000	TOTAL £000
Balance as at 1 January 2016		750	(4,240)	(8,880)	72,850	60,480
Issue of shares	10	375	-	-	22,500	22,875
Gain on investments	5	-	17,385	-	-	17,385
Revenue loss for the period after taxation		-	-	(262)	-	(262)
Balance as at 31 December 2016		**1,125**	**13,145**	**(9,142)**	**95,350**	**100,478**

For the year ended 31 December 2015

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	SHARE PREMIUM £000	TOTAL £000
Balance as at 1 January 2015		750	(9,313)	(8,594)	72,850	55,693
Gain on investments	5	-	5,073	-	-	5,073
Revenue loss for the period after taxation		-	-	(286)	-	(286)
Balance as at 31 December 2015		**750**	**(4,240)**	**(8,880)**	**72,850**	**60,480**

The notes on pages 35 to 44 form part of these financial statements.

Audited statement of cash flows

For the year ended 31 December 2016

	YEAR TO 30.12.16 £000	YEAR TO 31.12.15 £000
Cash flows from operating activities		
Operating profit	**17,123**	4,787
Adjustment for:		
Net gain on financial asset at fair value through profit or loss	**(17,385)**	(5,073)
Foreign exchange losses	**2**	1
Increase in receivables	**(118)**	(13)
Increase in payables	**33**	7
Net cash flows from operating activities	**(345)**	(291)
Cash flows from financing activities		
Proceeds from issue of shares	**22,875**	-
Net cash flows from financing activities	**22,875**	-
Cash flows from investing activities		
Sale of investments	**120**	340
Purchase of investments	**(22,600)**	-
Net cash flows from investing activities	**(22,480)**	340
Net increase in cash and cash equivalents during the year	**50**	49
Cash and cash equivalents at the start of the year	**96**	48
Foreign exchange losses	**(2)**	(1)
Cash and cash equivalents at the end of the year	**144**	96

The notes on pages 35 to 44 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting Policies

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation
The financial statements for the year ended 31 December 2016 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Company's investments to fair value.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies (AIC) in November 2014 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 particular, supplementary information which analyses the statement of comprehensive income between items of a revenue and capital nature has been presented alongside the statement of comprehensive income.

Going concern
The Board has concluded the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern for the next 12 months.

Impact of IFRS 10 'Consolidated Financial Statements'
As set out under IFRS 10, a parent entity that qualifies as an investment entity should not consolidate its subsidiaries. The Company meets all the following criteria to qualify as an investment entity:-

(i) Obtaining funds from one or more investors for the purpose of providing those investors with investment management services - the Board of Directors of the Company has delegated this function to its investment manager, Ocean Dial Asset Management Limited;

(ii) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both - funds are invested in ICG Q Limited for the sole purpose of achieving capital appreciation via further placements in Indian listed securities; and

(iii) Measures and evaluates the performance of substantially all of its investments on a fair value basis - on a monthly basis, the Company's investment in ICG Q Limited is revalued at the prevailing Net Asset Value at the corresponding valuation date.

On the basis of the above, these financial statements represent the stand-alone figures of the Company.

Expenses
Expenses are accounted for on an accruals basis. Other expenses, including management fees, are allocated to the revenue column of the statement of profit or loss and other comprehensive income.

Taxation
Full provision is made in the statement of profit or loss and other comprehensive income at the relevant rate for any taxation payable in respect of the results for the year.

Investments
The Company's investment is designated at fair value through profit or loss at the time of acquisition. It is initially recognised at fair value, being the cost incurred at acquisition. Transaction costs are expensed in the statement of comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise.

1. Accounting Policies (continued)

Investments

The Company's investment is designated at fair value through profit or loss at the time of acquisition. It is initially recognised at fair value, being the cost incurred at acquisition. Transaction costs are expensed in the statement of comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise.

The investment is designated at fair value through profit or loss at inception because it is managed and its performance evaluated on a fair value basis in accordance with the Company's investment strategy as documented in the Admission Document and information thereon is evaluated by the management of the Company on a fair value basis.

The basis of the fair value of the investment in the underlying subsidiary, ICG Q Limited, is its Net Asset Value. ICG Q Limited's investments are designated at fair value through profit and loss.

Purchases and sales are recognised on the trade date - the date on which the Company commits to purchase or sell the investment.

The financial asset is derecognised when the rights to receive cash flows from the investment have expired or the Company has transferred substantially all risks and rewards of ownership.

Receivables and payables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Due to their short-term maturities, their fair values approximate their costs.

Payables are recognised initially at fair value and subsequently measured at amortised cost. Due to their short-term maturities, their fair values approximate their costs.

Foreign currency translation

The Company's shares are denominated in Sterling and the majority of its expenses are incurred in Sterling. Accordingly, the Board has determined that the functional currency is Sterling. Sterling is also the presentation currency of the financial statements.

Monetary foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling at the statement of financial position date. Investment transactions and income and expenditure items are translated at the rate of exchange ruling at the date of the transactions. Gains and losses on foreign exchange are included in the statement of comprehensive income.

Cash and cash equivalents

Cash comprises of Bank current accounts. Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant changes in value.

Share capital

The share capital of the Company consists of Ordinary Shares which have all the features and have met all the conditions for classification as an equity instrument under IAS 32 (amended) and have been classified as such in the financial statements.

Standards, interpretations and amendments to published statements not yet effective

Certain current standards, amendments and interpretations are not relevant to the Company's operations. Equally, certain interpretations to existing standards which are not yet effective are equally not relevant to the Company's operations.

1. Accounting Policies (continued)

Standards, interpretations and amendments to published statements not yet effective (continued)
At the date of the authorisation of these financial statements, the following standards and interpretations which were in issue but not yet effective have not been early adopted in these financial statements.

- Amendments to IFRS 7 and IFRS 9 - Mandatory effective date and Transition disclosures is effective for periods beginning on or after 1 January 2018
- Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 is effective for periods beginning on or after 1 January 2018
- IFRS 14 - Regulatory Deferral Accounts is effective for periods beginning on or after 1 January 2016
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants is effective for periods beginning on or after 1 January 2016
- Amendments to IAS 16 and IAS 38 - Clarification of Accountable Methods of Depreciation and Amortisation is effective for periods beginning on or after 1 January 2016
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations is effective for periods beginning on or after 1 January 2016
- Amendments to IAS 27 - Equity Method in Separate Financial Statements is effective for periods beginning on or after 1 January 2016
- IFRS 9 - Financial Instruments (issued in 2014) is effective for periods beginning on or after 1 January 2018
- IFRS 15 - Revenue from Contracts with Customers beginning on or after 1 January 2018

The Board has not yet assessed the impact of these standards as they have been recently published. The Directors believe that other pronouncements which are in issue but not yet operative or adopted by the Company will not have a material impact on the financial statements of the Company, but these will continue to be reviewed. These are:-

- Amendment to IAS 36 - Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
- Amendment to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies
- Amendments to IAS 19 - Defined Benefits Plans: Employee Contributions
- Annual improvements to IFRSs 2010-2012 cycle
- Annual improvements to IFRSs 2011-2013 cycle

For the year ended 31 December 2016

2. Significant accounting judgements, estimates and assumptions

IFRS require management to make judgments, estimates and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The main use of accounting estimates and assumptions occurs in the calculation of the sensitivity. In relation to the valuation of unlisted investment, actual results may differ from the estimates. It is management's judgement that the Net Asset Value (NAV) of ICG Q Limited is an appropriate proxy for fair value as the Company can control the sale of the subsidiary's investments and therefore no liquidity discount is required.

3. Operating expenses

	YEAR TO 30.12.16 £000	YEAR TO 30.12.15 £000
Directors' fees	**80**	78
D&O insurance	**6**	6
Administration and secretarial fees	**40**	33
Audit fee in respect of current year	**22**	23
Audit fee in respect of prior year	**-**	8
Broker fee	**36**	25
Nomad fee	**21**	20
Registrar fee	**4**	10
Other professional fees	**4**	21
Marketing expenses	**16**	-
Regulatory fees	**16**	12
General expenses	**53**	49
Cost of issuing new shares	**38**	-
	336	285

4. Earnings per share

Earnings per Ordinary Share and the fully diluted earnings per Ordinary Share are calculated on the profit for the year of £17,123,000 (31.12.15 - £4,787,000) divided by the weighted average number of Ordinary Shares of 89,950,429 (31.12.15 - 75,001,463). There was no dilutive impact of the 37,500,710 Subscription Shares in issue which were exercised and cancelled in August 2016.

For the year ended 31 December 2016

5. Financial assets designated at fair value through profit or loss

	YEAR TO 30.12.16 TOTAL £000	YEAR TO 30.12.15 TOTAL £000
Market value as at 1 January	**60,509**	55,776
Ordinary Share issue	**22,600**	-
Sale proceeds	**(120)**	(340)
Realised gain on sale of investments	**52**	144
	83,041	55,580
Unrealised gain on revaluation	**17,333**	4,929
Fair value at end of year	**100,374**	60,509

The net realised and unrealised gains totalling £17,385,000 (2015: £5,073,000) on financial assets at fair value through profit and loss arise from the Company's holding in ICG Q Limited. The movement is driven by the following amounts within the financial statements of ICG Q Limited, as set out below.

	YEAR TO 30.12.16 TOTAL £000	YEAR TO 30.12.15 TOTAL £000
Dividend income	**636**	443
Other income and net foreign exchange gain/(loss)	**627**	(76)
Unrealised gain on financial assets at fair value through profit and loss	**14,193**	1,746
Realised gain on disposal of investments	**3,295**	3,963
Transaction and other investment costs	**(93)**	(41)
Investment management fees	**(1,206)**	(898)
Operating expenses	**(67)**	(64)
Net profit of ICG Q Limited	**17,385**	5,073

The equity investment represents ICG Q Limited, the Company's wholly owned subsidiary. ICG Q Limited is incorporated and has its principal place of business in the Republic of Mauritius. The Company holds Participating Shares in ICG Q Limited, which confer voting rights to the Company, hence it has a controlling interest in ICG Q Limited.

6. Taxation

Guernsey
India Capital Growth Fund Limited is exempt from taxation in Guernsey on non-Guernsey sourced income. The Company is exempt under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended) and paid the annual exemption fee of £1,200.

For the year ended 31 December 2016, the Company had a tax liability of £nil (year ended 31 December 2015: £nil).

For the year ended 31 December 2016

7. Receivables

	YEAR TO 30.12.16 TOTAL £000	YEAR TO 30.12.15 TOTAL £000
Other receivables and prepayments	**139**	21

8. Payables

	YEAR TO 30.12.16 TOTAL £000	YEAR TO 30.12.15 TOTAL £000
Other creditors	**179**	146

9. Segmental information

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Company's activities form a single segment under the standard. From a geographical perspective, the Company's activities are focused in a single area - Mauritius. The subsidiary, ICG Q Limited, focuses its investment activities in listed securities in India. Additional disclosures have been provided in this Annual Report to disclose the underlying information. Assessment of performance by the Board and investment decisions by the Investment Manager are made on the basis of the portfolio as a whole which is provided on pages 29 and 30.

10. Share capital

Authorised Share Capital
Unlimited number of Ordinary Shares of £0.01 each

	NUMBER OF SHARES	SHARE CAPITAL £000
At 31 December 2016	**112,502,173**	**1,125**
At 31 December 2015	75,001,463	750

On 6 August 2014, the Company undertook a 1 for 2 bonus issue of Subscription Shares to Ordinary Shareholders. During the year, the Subscription Shares were exercised and paid in full at 61 pence per share, increasing the Ordinary Shares in issue by 37,500,710.

11. Fair value of financial instruments

The following tables shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);

- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The analysis as at 31 December 2016 is as follows:

	LEVEL 1 £000	LEVEL 2 £000	LEVEL 3 £000	TOTAL £000
Unlisted securities	-	**100,374**	-	**100,374**

The analysis as at 31 December 2015 is as follows:

	LEVEL 1 £000	LEVEL 2 £000	LEVEL 3 £000	TOTAL £000
Unlisted securities	-	60,509	-	60,509

The Company's investment in ICG Q Limited, the Company's wholly owned subsidiary is priced based on the subsidiary's net asset value as calculated as at the reporting date. The Company has the ability to redeem its investment in ICG Q Limited at the net asset value at the measurement date therefore this is categorised as level 2. The classification within the hierarchy does not necessarily correspond to the Investment Manager's perceived risk of the investment, nor the level of the investments held within the subsidiary. All the underlying investments of ICG Q Limited are categorised as level 1 at 31 December 2016 and 2015. The year-end fair value of those investments, together with cash held in ICG Q Limited, comprise all but an insignificant proportion of the net asset value of the subsidiary.

12. Financial instruments and risk profile

The primary objective of India Capital Growth Fund Limited is to provide long-term capital appreciation by investing predominantly in companies based in India through its subsidiary. The investment policy permits making investments in a range of equity and equity linked securities of such companies. ICG Q Limited's portfolio of investments is predominantly in listed mid cap and small cap Indian companies and did not hold any unlisted securities during the year ended 31 December 2016. While the principal focus is on investments in listed equity securities or equity-linked securities, ICG Q Limited has the flexibility to invest in bonds, convertibles and other type of securities.

The specific risks arising from the Company's exposure to these instruments and the Investment Manager's policies for managing these risks, which have been applied throughout the year, are summarised below:

12. Financial instruments and risk profile (continued)

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. The Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to exercise such powers. In the year ended 31 December 2016, the Board determined that it was inappropriate to exercise such powers, although continuation of these powers will be sought at the Annual General Meeting.

The Board also considers from time to time whether it may be appropriate to raise new capital by a further issue of shares. The raising of new capital would, however, be dependent on there being genuine market demand.

The Company holds a single investment in ICG Q Limited, which holds an underlying portfolio of 41 listed equity instruments based in India. Below is an assessment of the various risks the Company may be exposed to via ICG Q Limited.

Market price risk

Market price risk arises mainly from the uncertainty about future prices of the financial instrument held by ICG Q Limited. It represents the potential loss ICG Q Limited may suffer through holding market positions in the face of price movements.

ICG Q Limited's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies and in adherence to the investment guidelines and the investment and borrowing powers set out in the Admission Document. ICG Q Limited's investment portfolio is concentrated and, as at 31 December 2016, comprised investment in 41 companies. ICG Q Limited thus has higher exposure to market risk in relation to individual stocks than more broadly spread portfolios.

ICG Q Limited's portfolio consists predominantly of mid cap and small cap listed Indian securities, and thus the effect of market movements is not closely correlated with the principal market index, the BSE Sensex. The BSE Mid Cap Total Return Index provides a better (but not ideal) indicator of the effect of market price risk on the portfolio. Assuming perfect correlation the sensitivity of ICG Q Limited to market price risk can be approximated by applying the percentage of funds invested (31.12.16: 98.40%; 31.12.15: 96.31%) to any movement in the BSE Mid Cap Total Return Index. At 31 December 2016, with all other variables held constant, this approximation would produce a movement in the net assets of ICG Q Limited of £9,868,000 (31.12.15: £5,832,000) for a 10% (31.12.15: 10%) movement in the index which would impact the Company via a fair value movement of the same magnitude in its holding in ICG Q Limited.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the financial instruments held by ICG Q Limited will fluctuate because of changes in foreign exchange rates. ICG Q Limited's portfolio comprises of predominantly Rupee denominated investments but reporting, and in particular the reported Net Asset Value, is denominated in Sterling. Any appreciation or depreciation in the Rupee would have an impact on the performance of the Company. The underlying currency risk in relation to ICG Q Limited's investments is the Rupee. ICG Q Limited's policy is not to hedge the Rupee exposure.

ICG Q Limited may enter into currency hedging transactions but appropriate mechanisms on acceptable terms are not expected to be readily available.

At 31 December 2016, if the Indian Rupee had strengthened or weakened by 10% (31.12.15: 10%) against Sterling with all other variables held constant, pre-tax profit for the year would have been £10,040,000 (31.12.15: £6,045,000) higher or lower, respectively, mainly as a result of foreign exchange gains or losses on translation of Indian Rupee denominated financial assets designated at fair value through profit or loss in ICG Q Limited and the consequent impact on the fair value of the Company's investment in ICG Q Limited.

12. Financial instruments and risk profile (continued)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with ICG Q Limited. Credit risk in relation to securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular settlements for transactions in listed securities are effected by the custodian on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are effected against binding subscription agreements.

The principal credit risks for the Company are in relation to deposits with banks. SBI-SG Global Securities Services Private Limited ("SBI-SG") acts as the principal banker to the Company. The aggregate exposure to the SBI-SG group at 31 December 2016 was £1,593,000 (31.12.15: £2,272,000).

SBI-SG acted as custodian of the Group's assets during the period. The securities held by SBI-SG as custodian are held in trust and are registered in the name of ICG Q Limited. SBI-SG has a credit rating of CRISIL AAA for SBI and A for Societe Generale.

Interest rate risk

Interest rate risk represents the uncertainty of investment return due to changes in the market rates of interest. The direct effect of movements in interest rates is not material as any surplus cash is predominantly in Indian Rupees, and foreign investors are not permitted to earn interest on Rupee balances.

Liquidity risk

Liquidity risk is the risk that ICG Q Limited will encounter in realising assets or otherwise raising funds to meet financial commitments. As the trading volume on the Indian stock markets is lower than that of more developed stock exchanges the Group may be invested in relatively illiquid securities. ICG Q Limited has no unlisted securities. ICG Q Limited's focus is to invest predominantly in mid and small cap listed stocks. As noted in the Investment Manager's Report, minimum liquidity criteria are utilised for new purchases. However there remain holdings where there is relatively little market liquidity, which may take time to realise. The Directors do not believe that the market is inactive enough to warrant a discount for liquidity risk on ICG Q Limited's investments.

ICG Q Limited seeks to maintain sufficient cash to meet its working capital requirements. The Directors do not believe it to be appropriate to adjust the fair value of the Company's investment in ICG Q Limited for liquidity risk, as it has the ability to effect a disposal of any investment in ICG Q Limited's portfolio at the prevailing market price and the distribution of proceeds back to the Company should it so wish.

All liabilities are current and due on demand.

Taxation risk

Taxation risk is the risk the taxation of income and capital gains of ICG Q Limited and the Company may increase as a result of changes in the tax regulations and practice in Guernsey, Mauritius and India. ICG Q Limited is registered with the Securities and Exchange Board of India ("SEBI") as a foreign portfolio investor ("FPI") with a Category II licence, holds a Category 1 Global Business Licence in Mauritius and has obtained a Mauritian Tax Residence Certificate ("TRC") which have been factors in determining its resident status under the India-Mauritius Double Taxation Avoidance Agreement ("DTAA") and General Anti Avoidance Rules ("GAAR") under the Income Tax Act 1961 ("ITA").

For the year ended 31 December 2016

12. Financial instruments and risk profile (continued)

Taxation risk (continued)

Consequently, prior to 1 April 2017 under the DTAA, capital gains of ICG Q Limited resulting from the sale of shares in India (whether listed or unlisted), including shares on conversion of foreign currency convertible bonds issued by Indian companies, were subject to the capital gains tax ("CGT") rate in Mauritius which is 0%. However, from 1 April 2017 under the DTAA, these capital gains will be subject to CGT rates in India which, for short term CGT (defined as less than one year) is applied at a rate of 15% and for long term CGT (defined as greater than one year) is 0%. Further, for two years to 31 March 2019 ICG Q Limited qualifies for a discount of 50% on these CGT liabilities.

ICG Q Limited seeks to minimise the impact of these changes in the taxation rates applicable to its capital gains by maintaining its investment strategy of investing in a concentrated portfolio for long term capital appreciation and thus restricting capital gains of less than one year to insignificant levels.

13. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Directors are responsible for the determination of the investment policy and have overall responsibility for the Company's activities. Directors' fees are disclosed on page 18. The Investment Manager is entitled to receive a management fee payable jointly by the Company and its subsidiaries equivalent to 1.5 per cent per annum of Total Assets, calculated and payable monthly in arrears. The Investment Manager earned £1,206,000 (see Note 5) in management fees during the year ended 31 December 2016 (31.12.15: £898,000) of which £128,000 was outstanding at 31 December 2016 (31.12.15: £77,000).

Under the terms of the Administration Agreement, Apex Fund Services (Guernsey) Limited is entitled to a minimum annual fee of US$41,000 or a flat fee of 5 basis points of the NAV of the Company, whichever is greater. The Administrator is also entitled to reimbursement of all out of pocket expenses recoverable by way of a fixed disbursement charge of US$50 per month excluding all international calls and courier. The Administrator earned £44,000 for administration and secretarial services during the year ended 31 December 2016 (31.12.15: £33,000) of which £3,400 was outstanding at 31 December 2016 (31.12.15: £2,900).

14. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 31 December 2016 (31.12.15: nil).

15. Subsequent events

These financial statements were approved for issuance by the Board on 29 March 2017. Subsequent events have been evaluated until this date. On 15 December 2016, the Board approved a change in custodian from SBI-SG Global Securities Services to Kotak Mahindra Bank. The transition took place on 18 March 2017.

India
Capital Growth Fund

1st Floor
Tudor House
Le Bordage
St Peter Port
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