India Capital Growth Fund

Annual report and audited financial statements

For the year ended 31 December 2017

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Management and administration

Directors

Fred Carr (Chairman to 18 December 2017)
Elisabeth Scott (Chairman from 18 December 2017)
Peter Niven
John Whittle

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
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Guernsey GY1 1DB

Custodian

Kotak Mahindra Bank Ltd
3rd floor, 27 BKC
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India

Broker

Stockdale Securities Limited
100 Wood Street
EC2V 7AN

Registrar

Neville Registrars Limited
18 Laurel Lane
Halesowen
Birmingham B63 3DA

Independent Auditor

Deloitte LLP
Regency Court
Glategny Esplanade
Guernsey GY1 3HW

Chairman's statement

Shareholders will recall that in September of last year Fred Carr, who served as your Chairman for eight years, announced his intention to step down once his successor had been appointed. After a search by a recruitment consultant, I was fortunate to have been offered the opportunity to replace Fred and I was appointed as Chairman by the Board on 18th December. Thus I find myself in the unusual position of delivering the Chairman's statement for this Annual Report having stepped into the chair just days before the year end. I am grateful that Fred has agreed to act as a consultant to the Board until the end of March 2018 in order to effect a smooth transition.

My first duty as your new Chairman therefore is to place on record, on behalf of Shareholders, the Board and the Investment Manager, our collective thanks to Fred for his outstanding guidance of the Company since 2009. He has navigated the Company through some choppy waters, both in terms of the volatility surrounding India's equity markets and the evolution of the Investment Team and its process. The Company is undoubtedly in a far stronger position today than it was when he inherited it. This is ably demonstrated by share price and NAV performance (both in absolute and relative terms), increased assets and lower costs, better underlying liquidity in the traded shares, and a much-reduced discount. The recent announcement that the Company has been accepted for listing to the Main Market of the London Stock Exchange ensures that he leaves the Company at a pivotal point in its journey. Shareholders have been well served by his vision and his leadership.

2017 has been another year of excellent returns for equity investors in India, and I am happy to say that this was also the case for your Company. The Net Asset Value rose 42.3% in Sterling terms over the period, an under performance of 3.0% relative to the notional benchmark index, the BSE Midcap Total Return Index. All this underperformance arose in December when three significant portfolio holdings corrected after a strong year. These corrections coincided with the BSE Midcap TR Index rallying 6.3%. Barring that, the Net Asset Value kept pace with notional benchmark index throughout the year which is a commendable achievement, given the extent of the rally. The share price rose 59% over the same period, supported by a significant narrowing of the discount from 18% at the start of the year to 8% by year end, a figure comfortably lower than our two closest competitors. Shareholders who are familiar with the longterm strategy of the Company will recall that, post the successful capital raising efforts of 2016, a key priority has been to close the gap between the performance of the Net Asset Value and the share price. It is pleasing to see the extent to which the market has begun to recognise that the healthy long-term investment performance is now working in combination with improved daily trading volumes and a more focused marketing effort. This change is best demonstrated by a broader shareholder register, as well as the tighter discount. All our efforts now must be focused on ensuring that these trends continue.

In India, small and mid cap stocks outperformed large cap stocks, driven primarily by an ongoing resurgence in domestic retail investor flows. Locals are being drawn to equities and bonds, many for the first time, principally as a consequence of the Government's concerted efforts to shrink the black economy. This is forcing savings, often held in cash and other assets such as gold and real estate, into the financial system. Low and stable inflation combined with better fiscal management have also brought bond yields down, and this is further supporting the investment case for stocks and shares. Since equities are not yet a widely held savings vehicle in India, it will be fascinating to watch this trend evolve in the years ahead.

This momentum has already provided a huge boost to the Company's performance, as India Capital Growth's mid cap mandate positions the portfolio squarely "in the action". This is our main point of differentiation from the core competition, which tends to focus on larger capitalised companies. The mid cap "bias" has enabled the Investment Manager to construct a portfolio of mainly domestically focused investments, companies which operate at the heart of India's fast-growing economy, and which are prime beneficiaries of India's natural demographic advantages and the Government's reform orientated policy agenda. Furthermore, the Company's closed ended structure ensures that portfolio holdings can be bought and sold at the Manager's discretion, with the long term in mind, undisturbed by fund flows (both in and out), which inevitably come at the worst moments. Alongside strong demand from local institutions, foreign investors continued to view India favourably in 2017, in tandem with the recent recovery across emerging markets in general. However, it is particularly exciting that for now at least, India continues to be singled out by investors for having the attractive combination of a sound macro-economic position and a stable currency, working alongside Government efforts to bring about structural reform.

2017 was a difficult year for the Indian economy, as corporates and consumers alike grappled with the aftershocks of demonetisation (the cancellation of 85% of India's currency in circulation), the implementation of the Goods and Services Tax (a nationwide style VAT) and the Bankruptcy Code, to name but a few of the reforms introduced. The portfolio has borne these challenges admirably, well supported by a buoyant market, and I highly recommend that you read the Investment Manager's report for a more detailed account of these developments. Looking ahead to 2018, the portfolio faces a different set of risks. Eight States go to the electoral polls next year, and the outcome of each are expected to influence market sentiment, particularly as India's General Election approaches. As Mr Modi prepares to go all out to win a second five-year term, it is conceivable that sound policy making will take a back seat to election politics. We can expect increased market volatility as a consequence, nevertheless the portfolio is well placed to weather this.

Thus 2017 has been a year of change for your Company: the arrival of a new Chairman combined with the announcement of a move to a Main Market listing, all alongside major upheaval on the ground in India. Additionally the Government has announced fundamental changes to the capital gains tax rates which will apply to the sale of listed equities of Indian companies. Consequently, net short term capital gains (for investments held less than 12 months) are taxed at 15% from 1 April 2017, and net long term capital gains (for investments held 12 months or longer) will be taxed at 10% with effect from 1 April 2018. However, against that backdrop, I am delighted to report that the investment process remains unchanged. Here the Manager continues to strive to identify well managed, attractively valued, small and mid-size companies, run by competent people with integrity, and operating in areas of the economy where longterm growth opportunities are widespread. The Board believes that this "bottom up" process remains the optimal investment style from which to build a portfolio for the longer-term investor, whilst ensuring that the "quality bias" serves to protect investors from any near term political uncertainty.

It seems right that the former Chairman brings this year's Statement to a close, and as such I quote on his behalf.

"I want to take this opportunity to thank all Shareholders for their support whilst I have been Chairman of the Company, and I am delighted that in more recent years, your patience has been rewarded. It has been a bumpy ride since 2009, but I am satisfied that the Company is in a good shape, and I have every confidence in Elisabeth Scott as your new Chairman. I would also like to thank my fellow directors, the team at Ocean Dial and all the Company's external service providers (current and former) for the enormous contribution they have collectively made to the success of the Company to date, both in 2017 and in prior years."

Elisabeth Scott I Chairman
22 March 2018

Investment Manager's report

India was one of the best performing markets in 2017 in what was a strong year for capital markets globally. The BSE Sensex was up 27.9% in Rupee terms, whilst mid-caps and small caps outperformed large caps for the fourth consecutive year with over 40% return. Barring healthcare, all sectors showed positive returns. Much of the performance can be attributed to a rerating of the market, as corporate earnings' downgrades continued into this financial year to March 2018 (FY18). As such the "street" is now forecasting earnings growth for the MSCI India Index at 11% for FY18, well below the 22% forecast at the beginning of the year. Against this backdrop, the Fund performed well, with the Net Asset Value rising 42.3% in sterling terms (46.9% in local currency). Although this was marginally lower than the BSE Midcap Total Return Index at 45.3%, the Fund's notional benchmark, it was significantly higher than the broader BSE Sensex.

A lot of the rise in the markets can be attributed to liquidity, although the Government's reform based agenda did help support the markets. Foreign investors were net equity buyers at US$8.0bn compared to US$2.9bn in 2016, whilst domestic funds were net buyers of US$14.0bn compared to US$4.9bn in 2016, the largest annual inflows since 2008. Mutual funds led the charge with US$18.3bn, while the Insurance sector remained net sellers of US$4.3bn. Much of the increase in domestic fund inflow is attributable to the shifting nature of India's household savings provision which is divesting away from physical assets such as real estate and gold, and into financial assets such as equities and credit. There appears to be a structural element to this shift, as the Government's efforts at curbing black money and improving transparency is making it difficult to place untaxed income in either the real estate or the gold markets. This uptick in domestic funds flow also explains the outperformance of the mid cap index versus the broader index. In fact, the mid cap index now trades at a premium valuation (PE of 22xFY19) to the Sensex (PE of 19xFY19). Not surprisingly 2017 also saw record highs in equity capital raised. There were 200 capital raising transactions, almost 40% higher than the previous peak in 2010, raising total capital of US$30bn, almost 50% higher than 2010. IPOs contributed to 40% of this capital raising activity.

The year will however be remembered for the implementation of three significant reform measures by the BJP led Government, namely; the Goods & Services Tax (GST); the Real Estate Regulation Act (RERA); and the Insolvency & Bankruptcy Code (Amendment) Bill. Each of these is transformational in nature in their own right. GST came into effect on 1st July 2017, redefining the indirect tax landscape, with a uniform tax across the country for each product category. Though there were the inevitable teething troubles, the Government has been proactive in addressing the concerns of all businesses involved, with numerous amendments in the filing processes as well as in the tax rates themselves. The number of business registrations has exceeded expectations, and over time this will strengthen the compliance levels across the country for the better. Companies which have previously avoided tax can no longer enjoy a price advantage and hence over time, such businesses will either comply or disappear. The shrinkage of the informal sector bodes well for the portfolio's investee companies which stand to benefit from increases in market share across their respective sectors.

The significance of the Real Estate Regulation Act can be gauged by the fact that this is the first time there is a regulator for this sector. Transparency and good governance have constantly been lacking and it was commonly known that this was the place to park "black" money. RERA brings regulatory structure to the sector and importantly shifts the balance of power from the developer to the house buyer. Given the huge shortage of housing in the country there now exists the opportunity for some high quality real estate companies to emerge which, in time, we look forward to putting under the microscope. Finally, the Insolvency & Bankruptcy Code significantly alters the negotiating power back in favour of the Banks and away from the creditors, which was previously not the case when it was near impossible for Banks to foreclose on defaulting assets, principally due to the complexity of the litigation process. Under the new law, if a resolution for a defaulting company is not arrived at within 270 days, it must be referred to the National Company Law Tribunal (NCLT), and the company goes into liquidation. This will have far reaching implications on the way business is done in India, leading to stronger governance and morecompetition, thereby creating a better environment to attract foreign investment. We are excited about these prospects.

This regulatory upheaval has been disruptive for the economy, particularly following the demonetisation exercise implemented in November 2016. Despite this the Government's popularity remains intact. Early in the year, the BJP swept the polls in India's largest state, Uttar Pradesh, as well as retaining Gujarat (Prime Minister Modi's home state) and gaining power in Himachal Pradesh. The win in Gujarat was hard fought however, with the Congress faring well in the rural parts of the state.

At the time of writing it would appear that the first signs of a pick-up in economic activity are emerging. GDP growth bottomed out at 5.7% p.a. in the quarter ended June 17, and has since accelerated to 6.3% in the quarter ending September 17. The IMF is projecting India to grow at 7.4% in FY19, making it the fastest growing major economy. There are also a lot of data points suggesting a genuine improvement in the economy. Among these is credit growth, which has once again moved to double digits, trending at 10.7% in December. Moreover, corporates are indicating that business is more or less back to normal. Looking ahead however, 2018 will be a year of divergence. On the one hand, growth should accelerate as the economy recovers from the twin shocks of demonetisation and GST transition, whilst on the other the macroeconomic scenario may suffer as both the current account deficit and the fiscal deficit are expected to widen. This follows sharp increases in commodity prices, particularly that of oil as India imports over 70% of its crude requirement. With oil prices having risen by over 40%, since the lows of June 17, inflation is now running close to 5%, above the Central Bank's comfort level of circa 4%. This has also led to the Reserve Bank of India changing its stand on interest rates from accommodative to neutral, as well as causing bond yields to rise by almost 100bps. There are also fears that the Government may slip on its fiscal deficit targets, due to lower revenues (because of disruptions due to GST implementation) and greater rural spending ahead of the general elections in 2019. In addition, the current account deficit has widened to 1.2% from a low of 0.6%. However despite an incremental worsening of the macroeconomic parameters, macroeconomic data remains firmly within comfort limits. It is valuations that remain the key concern of 2018. As earlier discussed, increased liquidity has encouraged the market to run ahead of earnings, reflected by the main market trading at 19x FY2019 earnings, whilst the mid cap stocks continue to trade at 22x. It is encouraging however to witness that Corporate India is starting to deliver the improved profitability needed to maintain these elevated multiples.

Portfolio Performance

The portfolio kept pace with the mid cap index, albeit underperforming marginally for the year. Most of the underperformance happened in December, when the BSE Midcap TR Index rose 5.4% (in local currency) for the month. During the year, most stocks delivered positive returns, but it was the laggards of the past few years who drove the performance, whilst the traditional compounders from the consumer sector took a back seat.

Positive contribution to the portfolio during the year came from Dewan Housing (142% up), Ramkrishna Forgings (204% up), Sobha (153% up), Federal Bank (64% up), Motherson Sumi (75% up) and Balkrishna Industries (118% up). Negative contribution came from Capital First (16% down), Neuland Labs (14% down) and Matrimony (5% down). Overall, there were 13 stocks which went up by over 50% and only three stocks which had negative returns in 2017.

During the year we added six new stocks and exited seven stocks. We did however make several changes to the weights of individual stocks, given sharp price movements, to ensure the concentration risk in the portfolio was managed effectively.

COMPANIES ADDED	SECTOR	COMPANIES EXITED	SECTOR
BLS International	IT	Ajanta Pharma	Healthcare
Capital First	Financials	Dabur India	Consumer Staples
Jammu & Kashmir Bank	Financials	Lupin	Healthcare
Matrimony.com	Consumer Discretionary	Mahindra CIE Auto	Consumer Discretionary
PSP Projects	Industrials	Max Financial Services	Financials
Sagar Cements	Materials	UFO Moviez India	Consumer Discretionary
		Voltas	Industrials

OCEAN DIAL ASSET MANAGEMENT
22 MARCH 2018

Directors

The Directors as at 31 December 2017, all of whom are non-executive, are as follows:

Elisabeth Scott (Chairman)
Elisabeth was appointed to the Board as Chairman on 18 December 2017. She has 25 years' experience in the asset management industry, having started in Hong Kong in 1992 where she remained until 2008, most recently in the role of Managing Director and Country Head of Schroder Investment Management (Hong Kong) Limited and Chairman of the Hong Kong Investment Funds Association. She is aged 55 and a UK resident.

Peter Niven
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 aged 63 and a resident of Guernsey.

John Whittle
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 aged 62 and 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
Elisabeth Scott	Pacific Horizon Investment Trust PLC	London
	Dunedin Income Growth Investment Trust PLC	London
	Allianz Technology Trust PLC	London
	Fidelity China Special Situations PLC	London
Peter Niven	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
	Chenavari Toro Income Fund Limited	SFS[1]

1 Specialist Fund Sector

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 2017 which have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

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 2017, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited. The Company's Ordinary Shares are admitted to trading on the Main Market of the London Stock Exchange. Until 24 January 2018, they were listed on the AIM of the London Stock Exchange.

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.

The Directors confirm the investment policy of the Company has been complied with throughout the year ended 31 December 2017.

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 2017 (2016: £nil).

Significant interests

Shareholders who have reported they held an interest of 3% or more of the Ordinary Share Capital of the Company at 31 December 2017 are stated in the table below:

	NUMBER OF SHARES	% HOLDING
Lazard Asset Management	18,762,951	16.7%
Hargreaves Lansdown	14,492,760	12.9%
Charles Stanley	6,622,936	5.9%
EFG Harris Allday	6,080,081	5.4%
Interactive Investor	5,640,116	5.0%
Miton Asset Management	5,620,000	5.0%
Rathbones	4,205,057	3.7%
AJ Bell	3,937,873	3.5%

Directors

The names and a short biography of the Directors of the Company are set out on page 7. Peter Niven and John Whittle served throughout the year and to date. Elisabeth Scott was appointed on 18 December 2017 when Fred Carr retired as Director and Chairman of the Company.

Directors' interests

At 31 December 2017, Directors and their connected persons held the following interests in the Company:

	ORDINARY SHARES
Elisabeth Scott	-
Peter Niven	37,500
John Whittle	30,000

There have been no changes in the interests of the Directors in the period to the date of this report.

India Capital Growth Fund

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 2017 was 1.86% based on an average AUM of £126,872,000 (2016: 1.96% based on an average AUM of £80,057,000).

Corporate governance

The Company is committed to the principles of corporate governance contained in the AIC Code and in the UK Corporate Governance Code that was issued in 2016 by the Financial Reporting Council ('the UK Code') for which the board is accountable to shareholders.

The Board considers that it has complied with the AIC Code and the UK Code during the year ended 31 December 2017 and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function. For the reasons set out in th AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations. Under the Company's Articles of Incorporation there is no limit on length of service, nor is there any upper age restriction on the Directors. The Board considers that there is significant benefit to the Company arising from the continuity and experience among Directors, and accordingly, does not intend to introduce restictions based on the age or tenure. It does however believe that shareholders should be given the opportunity to review membership of the Board on a regular basis and the Articles require a Director to stand for re-election at the AGM immediately following appointment; that at each AGM any Director who has served for nine years or more should retire and be eligible to seek re-election, and that any Director who was in post and did not retire at either of the two preceding AGMs should retire and be elibivle 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 Elisabeth Scott. 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 Elisabeth Scott 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.

When recruiting a new Director, the Board's policy is to appoint individuals on merit and consistent with bringing an appropriate range of skills and experience to the Board. At 31 December 2017 there were two male Directors and one female Director on the Board.

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 to 18 December 2017)	6	5	-	-
Elisabeth Scott (Chairman from 18 December 2017)	-	-	-	-
Peter Niven	6	6	3	3
John Whittle	6	6	3	3

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 2017 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 John Whittle (Chairman) and Peter Niven. 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 17 to 19.

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 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. The Board has drawn up a Control Environment and Risk Assessment Matrix (the "Matrix"), which identifies the key risks to the Company and considers the impact and likelihood of each significant risk identified. These fall into the following broad categories:

- **Investment**: 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**: 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**: The Company is exposed to risk if it fails to comply with the regulations of the Main Market of the London Stock Exchange 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**: 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**: 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 from changes in Government policy. The board receives quarterly updates from the Investment Manager and the Administrator who is responsible for tax residence administration. Note 12 to the financial statements details key taxation risks and their impact upon the Company.

- **Financial**: 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.

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).

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 Total Assets, calculated and payable monthly in arrears. The Company's Total Assets are the aggregate value of the Company's assets less current liabilities 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.

The Board constituted a Management Engagement Committee in connection with the Company's premium listing. The Management Engagement Committee is chaired by Elisabeth Scott and consists of all the Directors. It meets at least once a year and reports to the Board making recommendations where appropriate. It is charged with reviewing and monitoring the performance of the Investment Manager and for ensuring that the terms of the Company's Management Agreement remain competitive and reasonable for shareholders. In addition, 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, and the Management Engagement Committee's recommendations, 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 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. It may also be terminated forthwith in certain circumstances including as a result of a material breach of the Investment Management Agreement or on the insolvency of the Investment Manager of the Company.

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 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 Board has appointed the Investment Manager to act as its AIF Manager.

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

Foreign Account Tax Compliance Act ("FATCA")

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.

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, 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 2017.

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 Assessment" agreed at the 2014 AGM and currently applicable for the three years to August 2020. 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, 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 22 March 2018.

John Whittle **Peter Niven**

India Capital Growth Fund

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 European Union ("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;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, the event and conditions on the Company's financial position and financial performance;
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information;
- 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. 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.

The Directors are also responsible for ensuring the Company complies with the Listing Rules and Disclosure and Transparency Rules (DTR) of the UK Listing Authority which, with regard to corporate governance, requires the Company to disclose how it has applied the principles, and complied with the provisions, of the UK Corporate Governance Code to the Company.

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.

Signed on behalf of the Board by:

John Whittle **Peter Niven**

22 March 2018

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 £200,000 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, annual Directors' fees for the years listed are as follows:

	FROM 1 JAN 2018 £	TO 31 DEC 2017 £	TO 31 DEC 2016 £
Fred Carr (resigned on 18 December 2017)	-	28,000	28,000
Peter Niven (Audit Committee Chairman to 21 September 2017)	25,000	22,000	22,000
Elisabeth Scott (appointed on 18 December 2017)	35,000	845	-
John Whittle (Audit Committee Chairman from 21 September 2017)	28,000	20,000	20,000

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 2017 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 John Whittle and the other member is Peter Niven, who was Chairman of the Committee until 21 September 2017, when John Whittle was appointed as Chairman of the Committee.

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 10 sets out the number of Audit Committee meetings held during the year ended 31 December 2017 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 2017.

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. 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 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 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 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 specific evaluation of the performance of the independent auditor which is supported by the results of questionnaires completed by the Committee. This questionnaire covered areas such as quality of audit team, business understanding, audit approach and management.

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:

	2017 £	2016 £
Annual Audit	23,575	22,500
Interim Review	8,000	3,500

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 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 2017.

Conclusion and Recommendation

After consultations with the Independent Auditor as necessary and reviewing various reports from the Manager such as the quarterly performance reports and portfolio attribution and portfolio turnover reporting and assessing the significant financial statement issues listed on page 18, 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.

John Whittle
Audit Committee Chairman
22 March 2018

Independent auditor's report

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

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of 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.

We have audited the financial statements of India Capital Growth Fund Limited (the 'company') which 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	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 £1,429,000 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 and have therefore audited both companies directly.
Significant changes in our approach	Our audit approach is consistent to that in the prior financial year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed 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.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 11 and 12 and note 12 to the financial statements that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 11 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; or
- the directors' explanation on page 14 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 are also required to report whether the directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

Valuation of investment in subsidiary

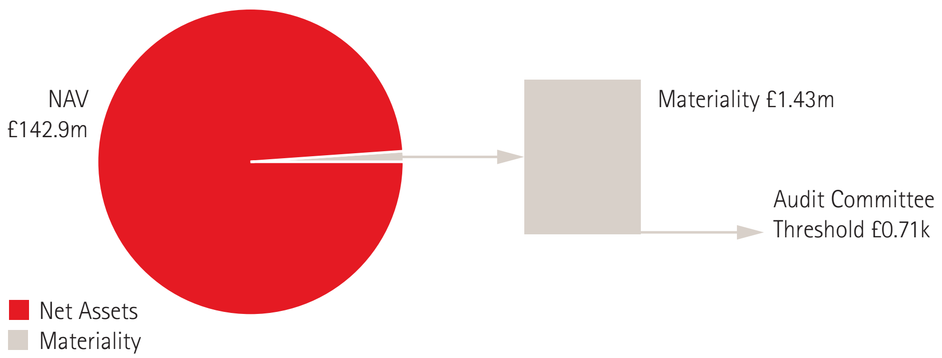
Key audit matter description	The Company's investment in its subsidiary has a fair value of £143.1m (2016: £100.4m) as at 31 December 2017. This is comprised solely of an equity investment in the Company's wholly owned subsidiary, ICG Q Limited ("ICG Q"). The fair value of ICG Q reflects the underlying 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 ICG Q and ultimately of the Company.
How the scope of our audit responded to the key audit matter	In order to test the investments balance as at 31 December 2017 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 ICG Q as at 31 December 2017 to an independently received custodian confirmation; ■ Obtained independent pricing information as at 31 December 2017 in order to recalculate the fair value of all of the investments held by ICG Q; ■ Tested the initial cost and cut-off of investment transactions by agreeing the purchase and sale of a sample of ICG Q's equity shares to independent confirmations; and ■ We reviewed trading volumes for a sample of investments held by ICG Q and enquired as to any liquidity issues with management.
Key observations	Based on our audit work, we concurred with directors that the valuation of the investment was appropriate.

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	£1,430,000 (2016: £1,004,000)
Basis for determining materiality	1% of Net Assets, which is consistent with the prior year.
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 £71,000 (2016: £50,000), 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)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities', the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies (Guernsey) Law, 2008 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 by the Company; or ■ the financial statements are not in agreement with the accounting records.	**We have nothing to report in respect of these matters.**

Independent auditor's report (continued)

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 4 August 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 31 December 2015 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

David Becker
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
22 March 2018

Principal investments of ICG Q Limited

As at 31 December 2017

HOLDING	MARKET CAP SIZE[1]	SECTOR	VALUE £000	% OF COMPANY NAV
Dewan Housing Finance	M	Financials	8,463	5.92
Ramkrishna Forgings	S	Materials	6,997	4.90
Motherson Sumi Systems	L	Consumer Discretionary	6,516	4.56
Federal Bank	M	Financials	6,303	4.41
Sobha Developers	S	Real Estate	4,675	3.27
Kajaria Ceramics	S	Industrials	4,661	3.26
Jyothy Laboratories	S	Consumer Staples	4,633	3.24
NIIT Technologies	S	IT	4,591	3.21
Finolex Cables	S	Industrials	4,576	3.20
City Union Bank	S	Financials	4,324	3.03
Balkrishna Industries	M	Consumer Discretionary	4,218	2.95
Skipper	S	Materials	4,099	2.87
Capital First	S	Financials	4,026	2.82
Tech Mahindra	L	IT	3,807	2.66
PI Industries	M	Materials	3,802	2.66
The Ramco Cements	M	Materials	3,712	2.60
Yes Bank	L	Financials	3,662	2.56
Indusind Bank	L	Financials	3,640	2.55
Indian Bank	M	Financials	3,302	2.31
Sagar Cements	S	Materials	3,230	2.26
Total top 20 equity investments			**93,237**	**65.23**

1 Refer to page 29 for market capitalisation size definitions.

India Capital Growth Fund

Portfolio statement of ICG Q Limited

As at 31 December 2017

HOLDING	MARKET CAP SIZE	NOMINAL	VALUE £000	% OF COMPANY NAV
Listed securities				
Consumer discretionary				
Balkrishna Industries	M	304,000	4,218	2.95
BLS International Services	S	500,000	1,531	1.07
Dish TV India	S	3,000,000	2,858	2.00
Exide Industries	M	1,215,336	3,154	2.21
Kitex Garments	S	700,000	2,490	1.74
Matrimony.com	S	172,608	1,881	1.32
Motherson Sumi Systems	L	1,478,740	6,516	4.56
Welspun India	S	3,624,271	3,007	2.10
			25,655	**17.95**
Consumer staples				
Emami	M	195,000	3,014	2.11
Jyothy Laboratories	S	1,043,355	4,633	3.24
Manpasand Beverages	S	600,000	3,053	2.14
Radico Khaitan	S	772,000	2,636	1.84
			13,336	**9.33**
Financials				
Capital First	S	500,000	4,026	2.82
City Union Bank	S	2,070,000	4,324	3.03
Dewan Housing Finance	M	1,250,000	8,463	5.92
Indian Bank	M	754,400	3,302	2.31
Indusind Bank	L	190,000	3,640	2.55
Jammu & Kashmir Bank	S	2,723,574	2,486	1.74
Federal Bank	M	5,000,000	6,303	4.41
Yes Bank	L	1,000,000	3,662	2.56
			36,206	**25.34**
Healthcare				
Divi's Laboratories	M	245,100	3,128	2.19
Neuland Laboratories	S	148,000	1,535	1.07
			4,663	**3.26**
Industrials				
Finolex Cables	S	556,597	4,576	3.20
Jain Irrigation Systems	S	2,190,000	3,200	2.24
Kajaria Ceramics	S	550,000	4,661	3.26
PSP Projects	S	373,875	2,259	1.58
			14,696	**10.28**

Portfolio statement of ICG Q Limited (continued)

HOLDING	MARKET CAP SIZE	NOMINAL	VALUE £000	% OF COMPANY NAV
IT				
NIIT Technologies	S	612,485	4,591	3.21
Tech Mahindra	L	650,000	3,807	2.66
			8,398	**5.88**
Materials				
Berger Paints India	M	980,000	3,117	2.18
Essel Propack	S	898,260	3,087	2.16
Good Luck India	S	518,343	555	0.39
JK Lakshmi Cement	S	500,000	2,556	1.79
PI Industries	M	340,000	3,802	2.66
Ramkrishna Forgings	S	700,000	6,997	4.90
Sagar Cements	S	330,000	3,230	2.26
Skipper	S	1,305,000	4,099	2.87
The Ramco Cements	M	406,702	3,712	2.60
			31,155	**21.81**
Real Estate				
Arihant Foundations & Housing	S	592,400	377	0.26
Sobha Developers	S	650,000	4,675	3.27
			5,052	**3.53**
Total equity investments			**139,161**	**97.36**
Cash less other net current liabilities of ICG Q Limited			3,970	2.78
Total net assets of ICG Q Limited			**143,131**	**100.14**
Cash less other net current liabilities of the Company			(200)	(0.14)
Total Net Assets			**142,931**	**100.00**

Market capitalisation	
L: Large cap – companies with a market capitalisation above US$7bn	12.33
M: Mid cap – companies with a market capitalisation between US$2bn and US$7bn	29.53
S: Small cap – companies with a market capitalisation below US$2bn	55.50
	97.36

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 2017

	NOTES	REVENUE £000	CAPITAL £000	2017 TOTAL £000	2016 TOTAL £000
Income					
Net gains on financial asset at fair value through profit or loss	5	**–**	**43,257**	**43,257**	17,385
Total income		**–**	**43,257**	**43,257**	17,385
Expenses					
Operating expenses	3	**(378)**	**–**	**(378)**	(298)
LSE Main Market listing expense		**(424)**	**–**	**(424)**	(38)
Foreign exchange loss		**–**	**–**	**–**	(2)
Investment management fees		**(2)**	**–**	**(2)**	76
Total expenses		**(804)**	**–**	**(804)**	(262)
(Loss)/profit for the year before taxation		**(804)**	**43,257**	**42,453**	17,123
Taxation	6	**–**	**–**	**–**	-
(Loss)/profit for the year after taxation		**(804)**	**43,257**	**42,453**	17,123
Earnings per Ordinary Share (pence)	4			**37.73**	19.04
Fully diluted earnings per Ordinary Share (pence)	4			**37.73**	19.04

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 34 to 44 form part of these financial statements.

Audited statement of financial position

As at 31 December 2017

	NOTES	2017 £000	2016 £000
Non-current assets			
Financial assets designated at fair value through profit or loss	5	**143,131**	100,374
Current assets			
Cash and cash equivalents		**76**	144
Receivables	7	**189**	139
		265	283
Current liabilities			
Payables	8	**(465)**	(179)
Net current (liabilities)/assets		**(200)**	104
Net assets		**142,931**	100,478
Equity			
Ordinary share capital	10	**1,125**	1,125
Reserves		**141,806**	99,353
Total equity		**142,931**	100,478
Number of Ordinary Shares in issue	10	**112,502,173**	112,502,173
Net Asset Value per Ordinary Share (pence) – Undiluted		**127.05**	89.31
Net Asset Value per Ordinary Share (pence) – Diluted		**127.05**	89.31

The audited financial statements on pages 30 to 44 were approved by the Board of Directors on 22 March 2018 and signed on its behalf by:

John Whittle **Peter Niven**

The notes on pages 34 to 44 form part of these financial statements.

Audited statement of changes in equity

For the year ended 31 December 2017

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	SHARE PREMIUM £000	TOTAL £000
Balance as at 1 January 2018		1,125	13,145	(9,142)	95,350	100,478
Gain on investments	5	-	43,257	-	-	43,257
Revenue loss for the period after taxation		-	-	(804)	-	(804)
Balance as at 31 December 2017		**1,125**	**56,402**	**(9,946)**	**95,350**	**142,931**

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 2017		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**

The notes on pages 34 to 44 form part of these financial statements.

India Capital Growth Fund

Audited statement of cash flows

For the year ended 31 December 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Operating profit	**42,453**	17,123
Adjustment for:		
Net gain on financial asset at fair value through profit or loss	**(43,257)**	(17,385)
Foreign exchange losses	**–**	2
Increase in receivables	**(50)**	(118)
Increase in payables	**286**	33
Net cash flows from operating activities	**(568)**	(345)
Cash flows from financing activities		
Proceeds from issue of shares	**–**	22,875
Cash flows from investing activities		
Sale of investments	**500**	120
Purchase of investments	**–**	(22,600)
Net cash flows from investing activities	**500**	(22,480)
Net increase in cash and cash equivalents during the year	**(68)**	50
Cash and cash equivalents at the start of the year	**144**	96
Foreign exchange losses	**–**	(2)
Cash and cash equivalents at the end of the year	**76**	144

The notes on pages 34 to 44 form part of these financial statements.

India Capital Growth Fund

Notes to the financial statements

For the year ended 31 December 2017

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 2017 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 have 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.

The IFRS 10 Investment Entity Exemption requires investment entities to fair value all subsidiaries that are themselves investment entities. As the subsidiary meets the criteria of an investment entity, it has not been consolidated.

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.

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 bank current account balances. 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 comprises of Ordinary Shares which have all the features and have met all the conditions for classification as equity instruments 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 authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9 – Financial instruments*
- IFRS 15 – Revenue from Contracts with Customers (and the related Clarifications)
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts
- IFRS 2 (amendments) – Classification and Measurement of Share-based Payment Transactions
- IFRS 4 (amendments) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IAS 40 (amendments) – Transfers of Investment Property
- IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual improvements to IFRSs 2014 – 2016 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

* IFRS 9: Financial Instruments

The Company will apply IFRS 9 as from 1 January 2018. The Company has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments currently held. The Company does not expect a significant impact upon adoption of IFRS 9 due to the nature and classification of the financial instruments held.

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 which are all listed on stock exchanges in India and therefore are mostly regarded as highly liquid.

3. Operating expenses

	2017 £000	2016 £000
Administration and secretarial fees	**46**	40
Audit fees	**39**	22
Broker fee	**20**	36
D&O insurance	**5**	6
Directors' fees	**70**	80
General expenses	**75**	53
Marketing expenses	**62**	16
Nomad fee	**21**	21
Other professional fees	**17**	4
Registrar fee	**6**	4
Regulatory fees	**17**	16
	378	298

4. Earnings per share

Earnings per Ordinary Share is calculated on the profit for the year of £42,453,000 (2016 - £17,123,000) divided by the weighted average number of Ordinary Shares of 112,502,173 (2016 – 89,950,429).

For the year ended 31 December 2017

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

	2017 TOTAL £000	2016 TOTAL £000
Market value as at 1 January	**100,374**	60,509
Purchase of investments	**-**	22,600
Sales proceeds	**(500)**	(120)
Realised gain on sale of investments	**328**	52
At end of the year	**100,202**	83,041
Unrealised gain on revaluation	**42,929**	17,333
Fair value at end of year	**143,131**	100,374

The net realised and unrealised gains totalling £43,257,000 (2016: £17,385,000) 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.

	2017 TOTAL £000	2016 TOTAL £000
Dividend income	**933**	636
Other income	**-**	627
Unrealised gain on financial assets at fair value through profit and loss	**32,810**	14,193
Realised gain on disposal of investments	**11,599**	3,295
Investment management fees	**(1,905)**	(1,206)
Other operating expenses	**(78)**	(67)
Taxes	**(23)**	-
Transaction costs	**(79)**	(93)
Net profit of ICG Q Limited	**43,257**	17,385

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 controlling interests.

For the year ended 31 December 2017

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 2017, the Company had a tax liability of £nil (year ended 31 December 2016: £nil).

7. Receivables

	2017 TOTAL £000	2016 TOTAL £000
Other receivables and prepayments	**189**	139

8. Payables

	2017 TOTAL £000	2016 TOTAL £000
Payables in respect of LSE Main Market listing	**198**	-
Other payables and accruals	**267**	179
	465	179

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.

For the year ended 31 December 2017

10. Share capital

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

	NUMBER OF SHARES	SHARE CAPITAL £000
At 31 December 2017	**112,502,173**	**1,125**
At 31 December 2016	112,502,173	1,125

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 2017 is as follows:

	LEVEL 1 £000	LEVEL 2 £000	LEVEL 3 £000	TOTAL £000
Unlisted securities	**-**	**143,131**	**-**	**143,131**

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 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 2017 and 2016. 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 2017. 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:

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 2017, 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 39 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 2017, comprised investment in 39 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 (2017: 97.36%; 2016: 98.40%) to any movement in the BSE Mid Cap Total Return Index. At 31 December 2017, with all other variables held constant, this approximation would produce a movement in the net assets of ICG Q Limited of £13,916,000 (2016: £9,868,000) for a 10% (2016: 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.

India Capital Growth Fund

12. Financial instruments and risk profile (continued)

Foreign currency risk

Foreign currency arises mainly from the fair value or future cash flows of the financial instruments held by ICG Q Limited fluctuating 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 2017, if the Indian Rupee had strengthened or weakened by 10% (2016: 10%) against Sterling with all other variables held constant, pre-tax profit for the year would have been £14,662,000 (2016: £10,040,000) 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.

Credit risk

Credit risk arises mainly from an issuer or counterparty being 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 cash held by the custodian. Kotak Mahindra Bank Limited ("Kotak") acts as the custodian to the Company. The aggregate exposure to Kotak at 31 December 2017 was £4,170,000 (2016: £Nil).

Kotak acted as custodian of the Group's assets during the period. The securities held by Kotak as custodian are held in trust and are registered in the name of ICG Q Limited. Kotak has a credit rating of AAA.

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.

12. Financial instruments and risk profile (continued)

Liquidity risk

Liquidity risk arises mainly from ICG Q Limited encountering difficulty 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 arises mainly from the taxation of income and capital gains of ICG Q Limited and the Company increasing 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").

However, with effect from April 2017, the DTAA was amended such that the advantages of investing in India via Mauritius were removed and capital gains arising from investments in Indian companies are subject to Indian Capital Gains Tax regulations. Consequently, short term capital gains (for investments held less than 12 months) of 15% and long term capital gains (for investments held for 12 months or longer) of 10% will apply to the investment portfolio in future.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2017

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 16. 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 £1,907,000 in management fees during the year ended 31 December 2017 (2016: £1,206,000) of which £191,000 was outstanding at 31 December 2017 (2016: £128,000).

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 £47,000 for administration and secretarial services during the year ended 31 December 2017 (2016: £44,000) of which £4,600 was outstanding at 31 December 2017 (2016: £3,400).

14. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 31 December 2017.

15. Subsequent events

These financial statements were approved for issuance by the Board on 22 March 2018. Subsequent events have been evaluated until this date. Effective 24 January 2018, the Company was successfully listed on the Main Market of the London Stock Exchange.

India Capital Growth Fund

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