India Capital Growth Fund

Interim report and unaudited consolidated financial statements

For period from
1 January 2008 to
30 June 2008

India
Capital Growth Fund

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Contents

Management and administration

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Michael L. Ingall (Chairman)

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India Capital Growth Fund

Management and administration (continued)

Custodian (continued)

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Chairman's statement

After an excellent performance in 2007 it is extremely disappointing to report a fall of 59% in NAV in the first 6 months of 2008. The fall which was broadly in line with Indian indices was exacerbated by an 8% fall in the Rupee against Sterling.

India, as a major importer of oil in a fast growing economy, has been particularly vulnerable to the tripling in the price of oil in three years. This has added to already existent inflationary pressures to the extent that the rate of inflation is now in double figures. This in itself puts downward pressure on the exchange rate.

A combination of these factors, together with the turmoil in world financial markets, caused international investors finally to abandon the concept of 'decoupling' resulting in an indiscriminate sell off of stocks and withdrawal of funds.

A near halving of asset value in six months cannot be lightly dismissed and in such circumstances it behoves the Board to reappraise the shape of the portfolio and assess critically the performance of the Manager. The Company's stated objective is to invest for the longer term in predominantly smaller Indian companies. As can be seen in the Manager's detailed report the great majority of investee companies continue to trade well. The portfolio over the six month period has remained quite stable. We entered the downturn with a relatively high level of cash and modest amounts of net investment have been made mainly by adding to existing holdings at lower prices. I remain convinced on the strategy and can find little fault with the execution. I am persuaded that although the outlook for the Indian economy is more cloudy than previously, the main casualty is stock market sentiment.

In my previous statement I said the Indian stock market was in the foothills of a mighty range. I stick by this analogy but failed to mention that even foothills can contain steep ravines.

In the immediate future the Fund will continue to be affected by outside forces such as the oil price over which we have little control.

At the time of writing there has already been a sharp fall in the oil price and, perhaps not coincidentally, a modest recovery in the NAV. With the Indian economy continuing to grow at nearly 8% per annum I am hopeful that we may have seen the worst.

Micky Ingall
Chairman

1 SEPTEMBER 2008

Investment manager's report

The first six months of 2008 have been the most difficult in the Company's two and a half year life. There has been a sharp and rapid fall in prices of Indian equities in an increasingly difficult macro-economic environment. Against this background investee companies continue to show good fundamental performance in terms of both growth and margins.

Market environment

The dominant issue affecting the Indian economy and stock markets in the first half of 2008 was the unprecedented rise in the price of oil and other commodities. India's domestic oil production has remained flat at between 32.2 million tonnes (in 1991) and 34.0 million tonnes (in the year to 31 March 2008) while demand has increased by 195% over the same period. Crude oil imports now form 34% of India's total imports (as against 11% for China) and this makes the Indian economy particularly sensitive to oil prices.

The rise in food prices does not, in our view, accurately reflect India's self sufficiency in the production of most key food items. Wheat production in India was 76.8 million tonnes (for the year ended March 2008), a record harvest. Other food grain and vegetable produce (excluding vegetable oils) is also expected to be sufficient. This year's weighted average rainfall across the country is now 2.4% above the normal. In particular, the rainfall in the key agricultural states of UP, Punjab and Haryana has been extremely good. However, despite the above, food prices have increased in the immediate past along with oil and commodity prices, fuelling inflation which as at 28 June 2008 stood at a thirteen year high of 11.89%.

The Indian Government subsidises the consumer price of oil and cooking gas as well as certain food grains, and these subsidies have taken a toll on government finances, with the fiscal deficit expected to increase to 4% of the GDP for the year ended March 2009 based on analyst reports.

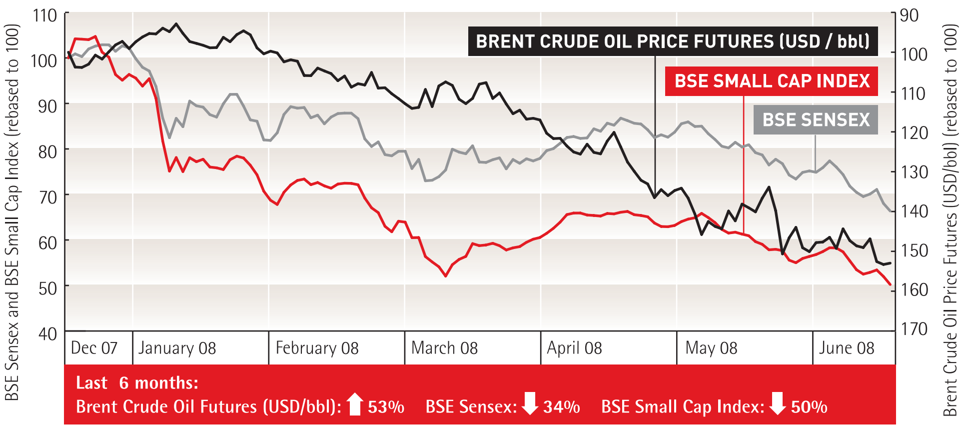
The Reserve Bank of India ("RBI") has also reacted to rising inflation by increasing its lending rate to banks to 9%. The benchmark 10-year government bond yield is now at a seven year high of 9.31% (as at 31 July 2008).

Finally the Indian Rupee has depreciated against the US Dollar and other major currencies due to the worsening trade and fiscal deficits, compounding the pressure on the Company's NAV which is reported in Sterling.

Figure 1 below shows the correlation between Indian equity markets and oil prices.

The other theme in the first half of 2008 was the effect on the Indian stock market of the global financial crisis. The first six months of 2008 saw foreign investors withdraw a net US$6.3 billion from the Indian market. The "decoupling" theory for emerging markets could not stand the test of time and India joined other markets in finally bowing to downward pressure. Buying by domestic institutional investors (primarily mutual funds), a net US$2.2 billion in the period, could not prevent the fall in markets caused by the withdrawal of funds by foreign institutional investors ("FIIs").

Figure 1: Inverse correlation between Crude Oil and BSE Sensex



India Capital Growth Fund

Market environment (cont.)

We comment later in this report on the outlook for the economy and also specific company performance, but as yet the impact of the major economic changes noted above on individual companies remains to be seen. A survey of analysts by the RBI showed that real GDP growth rate estimates for FY2009 have been reduced from 8.1% to 7.9%, which is still a healthy rate of growth. Both GDP figures for the economy as a whole and quarterly results to date for investee companies (for the period ended 30 June 2008) have shown an encouraging resilience.

On an historic trailing 12 month basis at least, company valuations now appear exceptionally attractive. On a simple measure of PE multiples, at 30 June 2008 the BSE Sensex traded at levels well below those in January 2006 (see Figure 2).

Table 1 shows how rapidly the equity market and select macroeconomic indicators have changed over the six months to 30 June 2008 along with the Company's NAV and share price changes.

Figure 2: BSE Sensex PE Ratio (Trailing twelve months since Jan 2006)

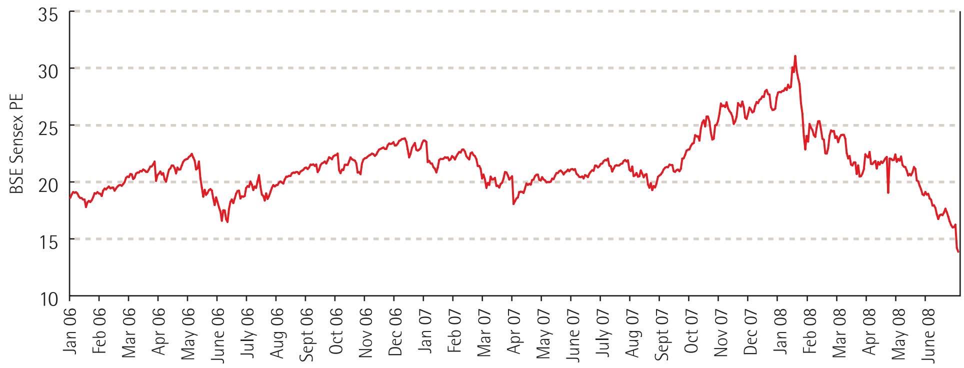


Table 1

SIX MONTHS TO 30 JUNE 2008	31ST DECEMBER	30TH JUNE	CHANGE
ICGF			
NAV undiluted	164.1	67.4	⬇ 58.9%
NAV fully diluted	153.4	67.4	⬇ 56.1%
Share Price	129.0	63.3	⬇ 51.4%
Equity Indices			
BSE Sensex	20,287.0	13,461.6	⬇ 33.6%
BSE MidCap index	9,789.5	5,386.5	⬇ 45.0%
BSE SmallCap Index	13,348.4	6,702.0	⬇ 49.8%
Exchange Rates			
INR – GBP	78.7	85.6	⬇ 8.7%
INR – USD	39.4	43.0	⬇ 8.2%
FII Net Investment over prior 6 months	+ USD 4.3bn	- USD6.3bn	
Brent Crude Futures USD (BBL)	91.9	140.6	⬆ 52.9%
Inflation (WPI)	⬆ 3.83%	⬆ 11.89%	
Interest Rates (RBI Repo Rate)	7.75%	8.50%	⬆ 75bp

Portfolio Breakdown

Figure 3: Focus on small and mid sized companies Data as at 30 June 2008

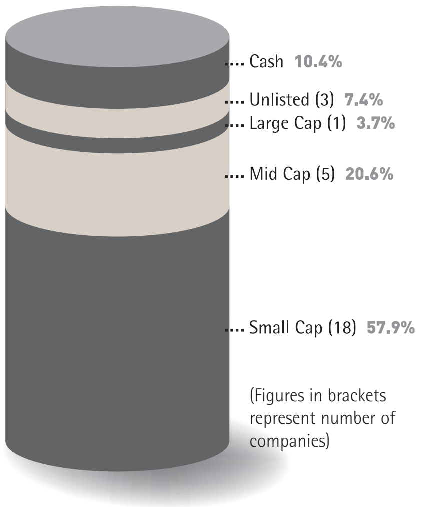
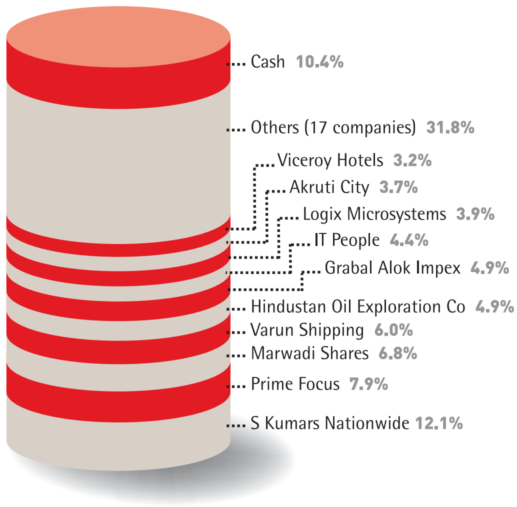


Figure 4: A concentrated portfolio Data as at 30 June 08



The portfolio performance as a whole

Despite holding a very concentrated portfolio of 27 stocks, each chosen on its individual merits, NAV performance (adjusted for the adverse exchange rate movement) has been in line with the small cap market index: down by 58.9% over the period. Those investee companies directly linked to the stock market have inevitably suffered severely – Prime Securities lost 85% of its value over the period – but others have seen equally sharp falls against a background of rising earnings. Within the portfolio 10 stocks closed the period over 60% below their December 2007 levels.

As the market fell sharply, individual investors and institutions sold heavily in response to margin funding pressures, triggering large price declines. Redemption pressures in offshore funds and the fallout from the US credit crisis also triggered some panic selling of shares in a flight to liquidity. These external factors drove down the value of a number of the Company's holdings.

Liquidity in many stocks in the Company's portfolio has been extremely thin. In small cap companies where we are one of the largest, if not the largest Foreign Institutional Investor, volatility has been extreme, often on the back of minimal trading volumes.

The portfolio companies themselves, however, have continued to perform well as shown by the results for the year to 31 March 2008 and the subsequently reported results for quarter to 30 June 2008. Comments on the individual results of the top 10 investee companies are set out below:

Summary of activity 1 January 2008 to 30 June 2008

Against the background of the flight of foreign capital, low liquidity and a worsening economic outlook we have retained a cautious approach to the market. In January we exited one major holding, Gruh Finance, with a view to reinvesting in more attractively priced opportunities. Since the period end, liquidity has been increased through disposals of two investee companies which became the targets of takeover offers – Hindustan Oil Exploration (which had been a new investment in early 2008) and Dabur Pharma – and we took advantage of both to sell at a profit.

We continue to see a regular flow of interesting companies and have added new investments to the portfolio where these meet our criteria and are available at appropriate prices. As the market declined we also added to some of our existing holdings where we felt that the stock prices

Summary of activity (cont.)

offered exceptionally attractive valuations. The level of cash in the portfolio will allow us to maintain a steady flow of investment into new and existing companies.

Throughout the period we have retained close and regular contact with all investee companies, monitoring progress and assisting where possible in a number of ways. These include shareholder communications, introductions to potential new investors, providing an external perspective on management information systems and internal audit processes, and views on capital raising and M&A activity. During the period we had representation on two investee company boards in a non-executive capacity.

We have not made any radical changes to the shape of the portfolio. As set out in the Admission Document we have invested in companies that we believe are well managed, with sound business plans and good prospects for long term growth. We have not deviated from this policy. The portfolio remains concentrated in a number of stocks but broadly spread both geographically and by industry, with a predominant focus on companies exposed to the domestic Indian growth story.

Top 10 portfolio companies

S Kumars Nationwide

Market Capitalisation: GBP 191m
12.1% of Portfolio
3.2% of company

The company continues to trade very profitably. The annual results for the year ending 31 March 2008 showed 42% revenue growth and 91% PAT growth over the previous year with net profit margins maintained at about 12%.

The management at S Kumars Nationwide ("SKNL") has also been active in restructuring the business and unlocking value.

On 2 May 2008, it demerged its retail business called 'Brandhouse Retails' (the entitlement to which, pending formal allotment and approval for listing, is held in the portfolio as an unlisted investment). Brandhouse owns 400 retail outlets selling various textile items (such as garments, home textiles, suiting etc.). Listing of the shares in Brandhouse Retails is currently expected to occur in October 2008.

In June 2008, the company announced an investment by GIC Singapore into its premium worsted suiting business Reid & Taylor ("R&T"). Indivest Pte Ltd, an affiliate of GIC Special Investments ("GIC SI") has invested Rs9,000m in R&T through a fresh issue of shares and warrants. Post-conversion, GIC SI would own 25.4% of R&T, valuing R&T at Rs 35,400m (£413m). SKNL will own the balance of 74.6% of R&T post the investment from GIC SI. Applying the deal value for R&T, SKNL's 74.6% share in R&T alone is worth about Rs 97 per share of SKNL (on a fully diluted equity basis), against a closing price for SKNL shares as at 30 June 2008 of Rs 81.

As at 30 June 2008 the company traded on a PE of 9.6 x trailing twelve months EPS to 31 March 2008 (excluding the de-merged retail business, Brandhouse which also has a positive PAT).

Prime Focus

Market Capitalisation: GBP 66m
7.9% of Portfolio
6.1% of company

The company, which provides post production services to the film, television and advertising industries, has 12 studios, six in India and six overseas. The company is growing rapidly, servicing both Indian and international clients. For the full year ended 31 March 2008, operating income has increased 16% and net profit has increased 35% over the previous year.

As at 30 June 2008 the company traded on a PE of 19.5 x trailing twelve months EPS to 31 March 2008. These numbers do not include the results for the recently acquired US companies.

Marwadi Shares & Finance

6.8% of Portfolio
12.2% of company

Marwadi Shares & Finance, an unlisted company, is one of India's largest retail brokers. Strong risk controls and good information technology have meant that, unlike many other brokers in this period of extreme market volatility, Marwadi continued to service clients without any disruption. For the full year ended 31 March 2008, operating income has increased 126%, and net profit has increased 154% over the previous year. The implied PE is 6.7x on 31 March 2008 EPS and at the 30 June 2008 carrying value. It is in times such as these, when there is much market uncertainty, that Marwadi's stringent risk controls and focus on client servicing help it stand out positively from its competition.

Varun Shipping

Market Capitalisation: GBP 114m
6.0% of Portfolio
2.6% of company

Varun Shipping is India's largest gas carrying shipping company and a leading mid-sized LPG shipping company worldwide. The company also has a presence in oil and gas anchor handling ships (owning and operating India's largest such vessels) and is the only Indian company to operate almost exclusively the higher end double hull ships (the last single hull ship is on a long term time charter and is expected to be phased out soon). For the full year ended 31 March 2008, operating income has increased 26%, EBITDA has increased 32% and net profit has increased 60% over the previous year. As on 30 June 2008 the company traded on a PE of 4.3 x trailing twelve months EPS to 31 March 2008.

Hindustan Oil Exploration Company

Market Capitalisation: GBP 119m
4.9% of Portfolio
2.1% of company

HOEC is a mid sized company present in the area of oil and gas exploration. It has eight exploration blocks spread over Cambay basin, Kauvery basin and Assam. The participating interest of HOEC varies from 21% to 100% over different fields. Out of these eight fields, three fields are already producing crude oil and one field is producing natural gas. Another gas block will start production in mid 2009. Two blocks are in pre-development stages.

In January 2008 ENI of Italy acquired a controlling stake in the UK company Burren Energy, which holds a 27% stake in HOEC. This transaction has triggered an open offer under local SEBI takeover regulations. ENI had thus offered to buy up to 20% of the existing equity shares at Rs 144.20. The open offer closed on 21st July 2008. ICGF tendered its complete holding of HOEC and the acceptance ratio has been 67%.

Grabal Alok

Market Capitalisation: GBP 25m
4.9% of Portfolio
9.6% of company

Grabal Alok is engaged in the manufacture and sale of embroidered fabrics, with manufacturing locations in the states of Gujarat and Maharashtra. Recent growth has been driven by demand from countries in Africa. Based on projected capacities, the company would become one of the largest embroidered fabric manufacturers in Asia in FY2009. For the year ended 31 March 2008, the company achieved revenue growth of 25% and PAT growth of 87%, with net profit margins at a healthy 10%. As on 30 June 2008, the company traded at a PE of 17.5x trailing twelve months EPS.

IT People

Market Capitalisation: GBP 22m
4.4% of Portfolio
9.9% of company

IT People has two business divisions, a software products and services division providing solutions to broking companies and financial exchanges and a human resource software outplacement service to a wider range of clients in India and the Middle East. Over the last year the company developed a bond trading module which has been implemented on both of India's two largest equity stock exchanges, BSE and NSE. The company intends to set up its own commodity exchange in partnership with Reliance Money. It will also start offering outsourcing services for back office requirements of brokers as well as mutual funds in the coming year. The software products division was acquired recently and financial results are for the unconsolidated human resource business. For the full year ended 31 March 2008, operating income increased 262% and net profit 84% over the previous year.

Logix Microsystems

Market Capitalisation: GBP 19m
3.9% of Portfolio
10.7% of company

Logix is a developer and provider of web sites and customer management services to auto dealers, primarily in the US. The company markets this under the brand name "izmocars". Clients include OEMs such as General Motors, Ford Motor Company and Mitsubishi Motors and major car portals including Yahoo! and AOL. The company has stated that despite the slowdown of the US economy its order position and new clients have continued to increase, as dealers seek ways of cutting costs. The company is opening an advanced photography studio in Brussels as part of its plans to enter the European market. It also plans to offer web services to the real estate and hospitality sectors where it will use its proprietary imaging technology to display the interiors of homes and hotel rooms.

Top 10 portfolio companies (cont.)

For the full year ended 31 March 2008, operating income increased 55%, EBITDA increased 20% and net profit increased 80% over the previous year. As at 30 June 2008 the company traded on a PE of 10 x trailing twelve months EPS to 31 March 2008.

Akruti City

Market Capitalisation: GBP 527m

3.7% of Portfolio

0.4% of company

Akruti is a Mumbai based real estate developer constructing residential, commercial, retail, Special Economic Zone ("SEZ"), IT Park and township properties, including slum rehabilitation.

Akruti has a portfolio of 40 projects (19 residential, 11 commercial, 3 retail, 1 hospitality, 6 SEZ) and a development potential of 45.5 mn sq feet of which 20.46 mn sq feet is Akruti's share of development. Out of this 20.46 mn sq ft, 45% is in Mumbai, 25% in Pune and the balance spread across Thane, Gujarat and Bangalore. Apart from this the company is developing two township projects at Panvel and Uran (on the outskirts of Mumbai) with a developable area of 116 mn sq feet and the Baroda Biotech park – 20.6 mn sq feet, out of which Akruti's share is 13.8 mn sq feet. 60% of the company's development portfolio is in townships, 24% in SEZ and IT Park in Mumbai and Pune, and the balance is residential and commercial.

For the full year ended 31 March 2008, operating income increased 146%, EBITDA increased 261% and net profit increased 291% over the previous year. As at 30 June 2008 the company traded on a PE of 16 x trailing twelve months EPS to 31 March 2008.

Viceroy Hotels

Market Capitalisation: GBP 24m

3.2% of Portfolio

6.4% of company

Viceroy Hotels Limited owns a 297 room 5 star hotel in Hyderabad, "Hyderabad Marriott" managed by Marriott, and food and beverage business with 11 outlets spread across Hyderabad and Vijayawada. The company also runs Bread Talk, an exclusive national franchise for Bread Talk, Singapore (a bakery chain based out of Singapore). Currently it has 3 outlets in Mumbai and 1 in Hyderabad. The company is expanding through building new hotels in Hyderabad, Bangalore and in Chennai which will also be managed by Marriott.

For the full year ended 31 March 2008, operating income increased 29% and net profit 46% over the previous year. As at 30 June 2008 the company traded on a PE of 23.8 x trailing twelve months EPS to 31 March 2008.

Other companies

Five other companies deserve further comment as they have materially affected the portfolio valuation:

IOL Netcom

Market Capitalisation: GBP 20m

3.1% of Portfolio

7.9% of company

IOL was in the process of raising new capital when the equity markets fell sharply in January, forcing a delay in the process. As a consequence of the perceived constraints on growth caused by this setback the share price fell by over 86%. Recently the Videocon group, an India based USD 2.5 billion global conglomerate, has been building a stake in the company, and as at 30 June 2008 the group held 8.3% of the equity capital.

For the full year ended 31 March 2008 IOL's operating income increased by 49% over the prior year.

Prime Securities

Market Capitalisation: GBP 14m

2.6% of Portfolio

9.2% of company

The market fall hit Prime Securities, an institutional and high net worth private client broker, both in terms of a weakening in the new issuance market and the value of its proprietary trading book, against which it wrote off INR 238m (US$5.54 million) in the March quarter. During the period the share price fell by over 85%. However, the majority of its institutional clients have remained loyal to the firm and the management team remains optimistic about future growth.

For the full year ended 31 March 2008, operating income increased 57%, EBITDA 27% and net profit 23% over the previous year (after the Rs 238m write off). As at 30 June 2008 the company traded on a PE of 3.3 x trailing twelve months EPS to 31 March 2008.

India Capital Growth Fund

SpiceJet

Market Capitalisation: GBP 70m
2.5% of Portfolio
1.8% of company

SpiceJet is a low cost airline operating a fleet of 17 aircraft in the domestic Indian market. Along with other airlines, SpiceJet was affected by sharply rising oil prices, and during the period the share price fell by over 71%. For the full year ended 31 March 2008, however, operating income increased by 72% over the previous year. On 11 August 2008, the company formally announced the infusion of approximately USD 100 million by WL Ross & Co LLC, a US private equity investor. At the same time it was announced that Goldman Sachs had agreed to subscribe for equity warrants subject to the receipt of requisite approvals.

Arihant Foundations and Housing

Market Capitalisation: GBP 13m
2.4% of Portfolio
9.9% of company

Arihant is a Chennai based property developer. While the real estate market has been affected by rising inflation and interest rates, Arihant continues to see steady progress in sales. Nevertheless during the period the share price fell by over 75%. The BSE Realty Index for the same period fell by 64.3%.

For the trailing 12 months ended 31 March 2008, operating income increased 30%, EBITDA increased 28% and net profit increased 43% over the previous year. As at 30 June 2008 the company traded on a PE of 3 x trailing twelve months EPS to 31 March 2008.

Asian Electronics

Market Capitalisation: GBP 32m
2.6% of Portfolio
4.2% of company

The company is the largest Energy Saving company (ESCO) in India. The company provides integrated energy saving solutions and has recently acquired technology to process waste plastics and convert various polymers into fuel grade carbons. Commercial scale testing of this technology is currently scheduled for December of this year in partnership with HPCL, a state owned oil company. The Lighting division has posted 20% year on year growth. The company has entered into a 50:50 joint venture with Future Group to sell its lighting products. The company has encountered significant issues in relation to the plastics processing activity, and has deferred publication of the financial statements for the year to 31 March 2008 until these issues can be resolved. Despite strong growth in the lighting business, the effect of this, together with the overall market decline, has resulted in a fall in the share price of 81% in the period.

Looking forward

The unprecedented rise in oil prices, a deeply troubled US economy and a difficult economic environment in western economies have affected all emerging countries including India. India's star performing equity market in 2007 is now one of the worst performers in 2008. Yet India's expected GDP growth at around 8%, a reasonably good monsoon (in regions where it matters most) and above all a resilient business community that has learnt to operate in difficult situations all augur well for the future.

Not only are the Group's portfolio companies attractively valued, we are also confident that they will weather the current storm and continue to prosper. Thanks to two successful exits (Dabur Pharma and Hindustan Oil Exploration) shortly after the period end, the Group has sufficient cash to look at new opportunities as well as increase its stake in existing investments.

Investors in the Company have exposure to an area of the Indian market that is not easily accessible to larger institutional investors, although as seen in the first half of this year this is an area of extreme volatility in terms of share prices. Long term private equity style investments need a corresponding longer time to bear fruit and when the worm turns and demand returns the illiquidity factor that has hit the portfolio so hard should act in reverse and repay our patience.

Finally the reputation of the Group as a solid shareholder, supporting management teams in difficult times, places us in a strong position to find new investments among India's stable of profitable and growing SMEs.

India Investment Partners Limited

1 SEPTEMBER 2008

Directors' report

The Directors present their interim report and the unaudited consolidated financial statements of the Group for the period from 1 January 2008 to 30 June 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. The Company has two wholly owned Mauritian subsidiaries, ICG Q Limited and ICG U Limited, comprising the "Group". The Company was listed on the Alternative Investment Market of the London Stock Exchange on 22 December 2005.

Investment policy

The Group's investment objective is to provide long-term capital appreciation by investing (directly and indirectly) in companies based in India. The investment policy permits the Group to make investments in a range of Indian equity and equity linked securities and predominantly in listed small to mid-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 or unlisted equity securities or equity linked securities, the Group has the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of security, including derivative instruments.

Results and dividends

The Group's performance during the period is discussed in the Investment Manager's Report on page 4.

The results for the period are set out in the unaudited consolidated income statement on page 17.

The Directors do not recommend the payment of a dividend for the period ended 30 June 2008.

Substantial interests

Shareholders who at 26 August 2008 held an interest of 3% or more of the Ordinary Share Capital of the Company are stated in Table 2 below:

Table 2: Substantial interests

	NO. SHARES	% HOLDING
Caledonia Investments Plc	17,983,830	23.98%
Pershing Keen Nominees Limited	5,452,882	7.27%
Diprivest Inc	5,000,000	6.67%
Goldman Sachs Securities (Nominees) Limited	4,014,035	5.35%
The Bank of New York (Nominees) Limited	3,563,388	4.75%
HSBC Global Custody Nominee (UK) Limited	3,286,148	4.38%
Rathbone Nominees Limited	2,865,685	3.82%
Nortrust Nominees Limited	2,792,794	3.72%
State Street Nominees Limited	2,509,571	3.35%
Roy Nominees Limited	2,335,109	3.11%

In addition, Cayzer Trust Company Limited, which has a substantial shareholding in Caledonia Investments Plc held 2,000,000 shares (2.67%).

At 26 August 2008, the Manager, India Investment Partners Limited and connected persons (not elsewhere disclosed) held in aggregate 2,257,111 shares (3.01%) arising principally from the reinvestment of performance fees in accordance with the management agreement.

So far as the Board is aware the only holdings of warrants which if converted would amount to an interest of 3% or more in the Ordinary Share Capital of the Company are listed in Table 3 below:

Table 3: Substantial holdings of warrants

NAMES	HOLDING OF WARRANTS	% OF ENLARGED ORDINARY SHARE CAPITAL IF EXERCISED ASSUMING FULL CONVERSION
Chase Nominees Limited	3,661,200	4.07%
Caledonia Investments Plc	3,300,000	3.67%

Directors

The names of the directors of the Company, who served throughout the period, are set out on page 1.

Directors' interests

At 26 August 2008 directors and their families held the following declarable interests in the Company:

	Ordinary Shares	Warrants
Michael L. Ingall	450,000	50,000
Jamie M.B. Cayzer-Colvin	50,000	10,000

Andrew R. Maiden represents the Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited, on the Board.

Jamie M.B Cayzer-Colvin is a non-executive Director of India Investment Partners Limited, the Investment Manager and also an employee and Director of Caledonia Investments Plc.

The arrangements with the Investment Manager are set out in Note 11.

Approved by the Board of Directors and signed on behalf of the Board on 1 September 2008.

M L Ingall
A R Maiden
Directors

1 SEPTEMBER 2008

Independent review report

Introduction

We have been engaged by the Company to review the condensed set of interim consolidated financial statements for the period 1 January 2008 to 30 June 2008 which comprises the consolidated income statement, consolidated statement of changes in equity, consolidated statement of assets and liabilities, consolidated cash flow statement and the related notes 1 to 14.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report as required by the AIM rules issued by the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with ISRE (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurances that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period 1 January 2008 to 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP | St Peter Port, Guernsey, Channel Islands

1 SEPTEMBER 2008

Notes:

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

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

Principal group investments

As at 30 June 2008

HOLDING	TYPE	SECTOR	VALUE £000'S	% OF PORTFOLIO
S Kumars Nationwide Limited	Mid Cap	Textiles	6,119	12.10
Prime Focus Limited	Small Cap	Media	4,012	7.94
Marwadi Shares and Finance Limited	Unlisted	Financial services	3,438	6.80
Varun Shipping Limited	Small Cap	Shipping	3,024	5.98
Hindustan Oil Exploration Company Limited	Small Cap	Oil & gas	2,475	4.90
Grabal Alok Impex Limited	Small Cap	Textiles	2,459	4.87
IT People India Limited	Small Cap	IT	2,197	4.35
Logix Microsystems Limited	Small Cap	IT	1,986	3.93
Akruti City Limited	Large Cap	Housing & construction	1,895	3.75
Viceroy Hotels Limited	Small Cap	Hotels	1,615	3.20
Total top 10 investments			**29,220**	**57.82**
Other Small and Mid Cap	(15 companies)		15,740	31.15
Other Unlisted	(2 companies)		325	0.64
Total invested assets			**45,285**	**89.61**
Cash and other net current liabilities			5,248	10.39
Total Portfolio			**50,533**	**100.00**

Portfolio statement

As at 30 June 2008

HOLDING	NOMINAL	VALUE £000'S	% OF PORTFOLIO
Listed securities			
Airlines			
SpiceJet Limited	4,312,820	1,256	2.49
		1,256	2.49
Electricals & lighting systems			
Asian Electronics Limited	1,267,093	1,337	2.65
		1,337	2.65
Engineering/other manufacturing			
El Forge Limited	1,265,959	501	0.99
Hindustan Dorr-Oliver Limited	989,570	948	1.88
Manugraph India Limited	689,188	541	1.07
		1,990	3.94
Financial services			
Bank of Rajasthan Limited	1,476,504	1,316	2.60
Prime Securities Limited	2,412,000	1,289	2.55
		2,605	5.15
Hotels			
Viceroy Hotels Limited	2,700,616	1,615	3.20
		1,615	3.20
Housing & construction			
Akruti City Limited	240,000	1,895	3.75
Arihant Foundations and Housing Limited	694,500	1,233	2.44
Gammon India Limited	202,943	510	1.01
MSK Projects (India) Limited	819,726	716	1.42
Murudeshwar Ceramics Limited	1,631,613	809	1.60
		5,163	10.22
IT			
IT People India Limited	5,253,634	2,197	4.35
Logix Microsystems Limited	1,307,000	1,986	3.93
		4,183	8.28
Media			
IOL Netcom Limited	1,915,744	1,562	3.09
Prime Focus Limited	777,077	4,012	7.94
		5,574	11.03

India Capital Growth Fund

Portfolio statement (continued)

As at 30 June 2008

HOLDING	NOMINAL	VALUE £000'S	% OF PORTFOLIO
Oil & gas			
Hindustan Oil Exploration Company Limited	1,632,095	2,475	4.90
		2,475	4.90
Pharmaceuticals			
Dabur Pharma Limited	1,672,846	1,462	2.89
		1,462	2.89
Pharmaceutical services & packaging			
Bilcare Limited	98,743	888	1.76
		888	1.76
Process controls			
ICSA India Limited	386,364	1,372	2.71
		1,372	2.71
Shipping			
Varun Shipping Limited	3,955,063	3,024	5.98
		3,024	5.98
Textiles			
Grabal Alok Impex Limited	2,085,167	2,459	4.87
S Kumars Nationwide Limited	6,464,379	6,119	12.10
		8,578	16.97
Total listed securities		**41,522**	**82.17**
Unlisted Securities			
Equity			
Financial services			
Marwadi Shares and Finance Limited	1,680,976	3,438	6.80
IT			
CitiXsys Technologies Private Limited	817,650	0	0.00
Textiles retailing			
Brandhouse Retails Limited (entitlement)	1,263,875	325	0.64
Total unlisted securities		**3,763**	**7.44**
Total investments		**45,285**	**89.61**
Net current assets		**5,248**	**10.39**
Total Portfolio		**50,533**	**100.00**

Unaudited consolidated income statement

For the period from 1 January 2008 to 30 June 2008

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED 01.01.08 TO 30.06.08 TOTAL £000	UNAUDITED 01.01.07 TO 30.06.07 TOTAL £000	AUDITED 01.01.07 TO 31.12.07 TOTAL £000
Income						
Fixed deposit interest		105	-	105	71	187
Bank interest income		11	-	11	22	32
Investment income		178	-	178	238	625
		294	**-**	**294**	**331**	**844**
Net (losses)/gains on financial assets at fair value through profit or loss						
Market movements	2	-	(67,637)	(67,637)	19,560	62,142
Foreign exchange movements	2	-	(4,204)	(4,204)	(841)	667
Total income		**294**	**(71,841)**	**(71,547)**	**19,050**	**63,653**
Expenses						
Management fee	11	(548)	-	(548)	(558)	(1,274)
Performance fee	11	-	-	-	(626)	(8,280)
Cost of acquisitions and disposal of investments		-	(111)	(111)	(126)	(317)
Other (expenses)/income	3	(355)	61	(294)	(292)	(640)
Total expenses		**(903)**	**(50)**	**(953)**	**(1,602)**	**(10,511)**
(Loss)/profit for the period/ year before taxation		(609)	(71,891)	(72,500)	17,448	53,142
Taxation	6	(7)	-	(7)	-	(18)
(Loss)/profit for the period/ year after taxation		**(616)**	**(71,891)**	**(72,507)**	**17,448**	**53,124**
(Loss)/earnings per Ordinary Share – Basic (pence)	4			(96.68)	23.27	70.83
(Loss)/earnings per Ordinary Share – Diluted (pence)	4			(96.68)	23.27	70.63

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by The Association of Investment Companies.

All the items in the above statement derive from continuing operations.

The notes on pages 22 to 28 form part of these financial statements.

India Capital Growth Fund

Unaudited consolidated statement of changes in equity

For the period from 1 January 2008 to 30 June 2008 (unaudited)

	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2008	750	(2,729)	52,713	(571)	72,877	123,040
Gain/(loss) on investments	-	8,955	(76,592)	-	-	(67,637)
Revenue loss for the period after taxation (excluding foreign exchange losses)	-	-	-	(616)	-	(616)
Cost of acquisition and disposal of investments	-	(58)	(53)	-	-	(111)
Loss on foreign currency	-	(2,047)	(2,096)	-	-	(4,143)
Balance as at 30 June 2008	**750**	**4,121**	**(26,028)**	**(1,187)**	**72,877**	**50,533**

For the period from 1 January 2007 to 30 June 2007 (unaudited)

	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2007	750	(285)	(3,913)	487	72,877	69,916
(Loss)/gain on investments	-	(2,101)	21,661	-	-	19,560
Loss for the period after taxation (excluding foreign exchange losses)	-	(626)	-	(509)	-	(1,135)
Cost of acquisition and disposal of investments	-	(61)	(65)	-	-	(126)
(Loss)/gain on foreign currency	-	(1,477)	626	-	-	(851)
Balance as at 30 June 2007	**750**	**(4,550)**	**18,309**	**(22)**	**72,877**	**87,364**

The notes on pages 22 to 28 form part of these financial statements.

Unaudited consolidated statement of changes in equity (continued)

For the period from 1 January 2007 to 31 December 2007 (audited)

	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2007	750	(285)	(3,913)	487	72,877	69,916
Gain on investments	-	7,515	54,627	-	-	62,142
Revenue loss for the year after taxation (excluding foreign exchange losses)	-	-	-	(1,058)	-	(1,058)
Cost of acquisition and disposal of investments	-	(136)	(181)	-	-	(317)
(Loss)/gain on foreign currency	-	(1,543)	2,180	-	-	637
Other expenses charged to capital	-	(8,280)	-	-	-	(8,280)
Balance as at 31 December 2007	**750**	**(2,729)**	**52,713**	**(571)**	**72,877**	**123,040**

The notes on pages 22 to 28 form part of these financial statements.

India Capital Growth Fund

Unaudited consolidated statement of assets and liabilities

As at 30 June 2008

	NOTES	UNAUDITED 30.06.08 £000	UNAUDITED 30.06.07 £000	AUDITED 31.12.07 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	5	45,285	82,306	117,935
Current assets				
Cash and cash equivalents		5,637	6,067	9,944
Receivables	7	13	93	3,203
		5,650	6,160	13,147
Current liabilities				
Payables	8	(402)	(1,102)	(8,042)
Net current assets		5,248	5,058	5,105
Total assets less current liabilities		**50,533**	**87,364**	**123,040**
Equity				
Ordinary share capital	10	750	750	750
Reserves		49,783	86,614	122,290
Total equity		50,533	87,364	123,040
Number of Ordinary Shares in issue		**75,000,000**	**75,000,000**	**75,000,000**
Undiluted Net Asset Value per Ordinary Share (pence)		**67.38**	**116.48**	**164.05**
Fully diluted Net Asset Value per Ordinary Share (pence)		**67.38**	**113.74**	**153.38**

The unaudited financial statements on pages 17 to 28 were approved by the Board of Directors on 1 September 2008 and signed on its behalf by:-

M L Ingall
A R Maiden
Directors

1 SEPTEMBER 2008

The notes on pages 22 to 28 form part of these financial statements.

Unaudited consolidated cash flow statement

For the period from 1 January 2008 to 30 June 2008

	UNAUDITED 01.01.08 TO 30.06.08 £000	UNAUDITED 01.01.07 TO 30.06.07 £000	AUDITED 01.01.07 TO 31.12.07 £000
Cash flows from operating activities			
Investment income	179	198	648
Fixed deposit interest	105	71	187
Bank interest	13	22	29
Management fee	(653)	(539)	(1,196)
Performance fees	(7,654)	-	(626)
Other cash payments	(304)	(320)	(561)
Net cash (outflow) from operating activities	**(8,314)**	**(568)**	**(1,519)**
Cash flows from investing activities			
Purchase of investments	(30,772)	(19,887)	(37,908)
Sale of investments	35,015	17,566	40,629
Transaction charges relating to the purchase and sale of investments	(111)	(126)	(316)
Net cash inflow/(outflow) from investing activities	**4,132**	**(2,447)**	**2,405**
Net (decrease)/increase in cash and cash equivalents during the period/year	(4,182)	(3,015)	886
Cash and cash equivalents at the start of the period/year	9,944	9,082	9,082
Exchange (losses) on cash and cash equivalents	(125)	-	(24)
Cash and cash equivalents at the end of the period/year	**5,637**	**6,067**	**9,944**

The notes on pages 22 to 28 form part of these financial statements.

Notes to the unaudited consolidated financial statements

For the period from 1 January 2008 to 30 June 2008

1. Accounting policies

Basis of accounting

The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) and applicable Guernsey Law. IFRS require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. 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 most significant estimates relate to the valuation of unlisted investments. Actual results may differ from these estimates. Where presentational guidance set out in the Statement of Recommended Practice (SORP) for Investment Trusts issued by the Association of Investment Companies (AIC) in January 2003 (revised December 2005) is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. In particular, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the consolidated income statement.

The same accounting policies have been adopted in these financial statements as in the annual report and audited financial statements for the period ended 31 December 2007.

Basis of preparation

The unaudited interim financial statements for the six months ended 30 June 2008 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Group's investments to fair value and in accordance with IAS 34: Interim Financial Reporting.

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

Basis of consolidation

Subsidiaries (ICG Q Limited and ICG U Limited) are consolidated in full from the date of acquisition, being the date on which the Group obtained control and will continue to do so until such control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Individual Company only information has not been presented as the information is not materially different from that for the Group as a whole.

Income

Income is accounted for on an accruals basis. Dividends receivable are classified as investment income and taken to the income statement when the relevant security is quoted ex-dividend.

Expenses

Expenses are accounted for on an accruals basis. Expenses incurred on the acquisition or disposal of investments at fair value through profit or loss are allocated to the capital column of the income statement. Performance fees are also allocated to Capital, as are exchange differences arising on acquisition or disposal of investments in foreign currencies. Other expenses including management fees, are allocated to the revenue column of the income statement.

Share issue expenses

Share issue expenses are treated as a deduction from equity in the Consolidated Statement of Changes in Equity. They have been written off against the Share Premium Account.

For the period from 1 January 2008 to 30 June 2008

1. Accounting policies
(continued)

Taxation
Full provision is made in the Income Statement at the relevant rate for any taxation payable in respect of the results for the period.

Investments
All of the Group's investments are designated at fair value through profit or loss at the time of acquisition. They are initially recognised at fair value, being the cost incurred in their acquisition. Transaction costs are expensed in the Income Statement. Gains and losses arising from changes in fair value are presented in the Income Statement in the period in which they arise.

Investments are designated at fair value through profit or loss at inception because they are managed and their performance evaluated on a fair value basis in accordance with the Group's investment strategy as documented in the Admission Document, and information thereon is evaluated by the management of the Group on a fair value basis.

Purchases and sales of listed investments are recognised on trade date, and those for unlisted investment are recognised when the associated contract becomes unconditional.

Direct Indian equity investments are valued at closing market prices on either the Bombay Stock Exchange or the National Stock Exchange (whichever is the primary market for the security in question).

Participatory notes are valued at the closing market bid prices published by the issuer. Investments listed on other exchanges are valued at closing market bid prices on the relevant exchange.

Unlisted investments are valued at the Directors' estimate of their fair value in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and guidelines issued by the International Private Equity and Venture Capital Association. The Directors' estimates are based on an assessment of the available financial information on the underlying company, including a discounted cash flow appraisal and comparisons with the valuations of comparable listed companies, but taking account of the unlisted status.

Foreign currency translation
The Board has determined that the functional currency for the Group is Sterling. Sterling is also the presentation currency of the financial statements.

Cash and Cash Equivalents
Cash comprises cash in hand, overdrafts and demand deposits. 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.

Comparative figures
Where required by accounting standards, comparative figures have been reclassified to conform to changes in presentation for the current period.

Standards, interpretations and amendments to published statements not yet effective
Certain current standards, amendments and interpretations are not relevant to the Group's operations. Equally, certain interpretations to existing standards which are not yet effective are equally not relevant to the Group's operations. At the date of the authorisation of these financial statements, the standards and interpretations which have not been applied in these financial statements were in issue but not yet effective.

The Directors believe that other pronouncements which are in issue but not yet operative or adopted by the Group will not have a material impact on the financial statements of the Company, but these will continue to be reviewed.

2. Net (loss)/gain on financial assets designated at fair value through profit or loss

	Unaudited 01.01.08 to 30.06.08 £000	Unaudited 01.01.07 to 30.06.07 £000	Audited 01.01.07 to 31.12.07 £000
Realised			
Proceeds from sales of investments during the period/year	31,827	17,527	43,779
Original cost of investments sold during the period/year	(24,980)	(21,095)	(37,777)
Gain/(loss) on investments sold during the period/year	6,847	(3,568)	6,002
Market gain/(loss)	8,955	(2,101)	7,515
Foreign exchange loss	(2,108)	(1,467)	(1,513)
Unrealised market (loss)/gain			
Previously recognised unrealised gain now realised	25,637	1,764	2,948
Current period market (loss)/gain	(102,229)	19,897	51,679
Market (loss)/gain	(76,592)	21,661	54,627
Unrealised Market (loss)/gain of Listed securities	(76,164)	21,661	54,031
Unrealised Market (loss)/gain of Unlisted securities	(428)	-	596
Unrealised foreign exchange			
Previously recognised unrealised foreign exchange (loss)/gain now realised	(2,417)	1,810	1,114
Current period foreign exchange gain/(loss)	321	(1,184)	1,066
	(2,096)	626	2,180
Net (loss)/gain on financial assets designated at fair value through profit or loss	(71,841)	18,719	62,809

Foreign exchange gains and losses are measured between the currency of denomination of the investment and the functional currency (pounds sterling).

Investments in participatory notes are denominated in US Dollars, even though the underlying exposure is in Indian Rupees, and consequently in relation to these investments the foreign exchange gains/losses reported above reflect movements between the US Dollar and the Pound Sterling. Any currency effect arising as a result of movements in rates between the US Dollar and the Indian Rupee is reported as part of market gains/losses since it is reflected in the price of the participatory note. The amount of market loss in the period which is attributable to currency movements between the US Dollar and the Indian Rupee is approximately £1,086,000 (year to 31 December 2007 - gain £3,280,000). During the period certain participatory note holdings were converted to direct holdings of the underlying Indian securities. These conversions were effected by way of a sale of the participatory note and a simultaneous purchase of the underlying security, and accounted for accordingly.

Notes to the unaudited consolidated financial statements (continued)

For the period from 1 January 2008 to 30 June 2008

3. Other expenses

	Unaudited 01.01.08 to 30.06.08 £000	Unaudited 01.01.07 to 30.06.07 £000	Audited 01.01.07 to 31.12.07 £000
Revenue			
Directors' fees (note 11)	43	47	85
D&O insurance	8	8	18
Administration and secretarial fees (note 11)	74	62	139
Audit fee	19	27	45
Custody fees	13	14	19
Other advisory services	25	35	135
General expenses	48	89	145
Foreign exchange losses	125	-	24
	355	282	610
Capital			
Foreign exchange (gains)/losses	(61)	10	30
	294	292	640

4. Earnings/(loss) per share

Diluted earnings per Ordinary Share is calculated on the basis that the 15,000,000 warrants in issue were exercised at the start of the period with the proceeds of £15,000,000 being used to repurchase Ordinary Shares at the average market price during the period. Diluted earnings per Ordinary Share is equal to the basic Earnings per Ordinary Share because the average share price during the period is less than the consideration which would be receivable for the potential Ordinary Shares, therefore having no dilutive effect. In 2007, the average market price during the year was 101.4793 pence per share which represented a repurchase of 14,781,340 Ordinary Shares and a consequent average number of Ordinary Shares in issue of 75,218,660.

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

	01.01.08 to 30.06.08 Listed £000	01.01.08 to 30.06.08 Unlisted £000	Unaudited 01.01.08 to 30.06.08 Total £000	Unaudited 01.01.07 to 30.06.07 Total £000	Audited 01.01.07 to 31.12.07 Total £000
Cost as at 1 January	60,840	3,841	64,681	64,808	64,808
Purchases	31,018	-	31,018	19,859	37,650
Sales	(31,827)	-	(31,827)	(17,527)	(43,779)
Transfer from listed to unlisted	(393)	393	-	-	-
Realised gain/(loss) on sales of investments	6,847	-	6,847	(3,568)	6,002
Cost as at 30 June 2008	66,485	4,234	70,719	63,572	64,681
Unrealised (loss)/gain on revaluation	(22,267)	(455)	(22,722)	20,904	53,870
Unrealised foreign exchange loss on revaluation	(2,696)	(16)	(2,712)	(2,170)	(616)
Fair value as at 30 June 2008	**41,522**	**3,763**	**45,285**	**82,306**	**117,935**

Fair value of listed securities at end of the period/year	41,522	77,710	113,801
Fair value of unlisted securities at end of the period/year	3,763	4,596	4,134

For the period from 1 January 2008 to 30 June 2008

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

Investments may be held as direct equities or as participatory notes, convertible debentures and warrants.

	Listed £000	Unlisted £000	Unaudited 30.06.08 Total £000	Unaudited 30.06.07 Total £000	Audited 31.12.07 Total £000
Equities	36,262	3,763	40,025	46,151	72,836
Participatory notes	5,260	-	5,260	34,585	44,703
Convertible debentures	-	-	-	1,408	396
Warrants	-	-	-	162	-
	41,522	**3,763**	**45,285**	**82,306**	**117,935**

6. Taxation

ICG Q Limited and ICG U Limited are centrally managed and controlled from Mauritius and are hence tax resident in Mauritius. The companies invest in India and the directors expect to obtain benefits under the double taxation treaty between Mauritius and India. The Indian Supreme Court has re-affirmed in a ruling dated 7 October 2003 the validity of the circular 789 issued by the Indian Central Board of Direct Taxes which provided that wherever a "Certificate of Residence" was issued by the Mauritian Tax Authorities, such certificate constituted sufficient evidence for accepting the status of residence and beneficial ownership and for applying the benefits of the tax treaty between Indian and Mauritius. The companies hold a valid Certificate of Residence from the Mauritian Commissioner of Income Tax.

India

A company which is tax resident in Mauritius under the treaty, but has no branch or permanent establishment in India, will not be subject to capital gains tax in India on the sale of securities.

Mauritius

ICG Q Limited and ICG U Limited are subject to income tax in Mauritius on net income at 15%. However, the companies are entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritius tax on foreign source income. At 30 June 2008, ICG Q Limited had a liability amounting to £25,404 (2007:£19,326).

The foregoing is based on current interpretation and practice and is subject to any future changes in tax laws and in the tax treaty between India and Mauritius.

7. Receivables

	Unaudited 30.06.08 Total £000	Unaudited 30.06.07 Total £000	Audited 31.12.07 Total £000
Interest receivable	1	-	3
Investment income	-	64	1
Disposal of investments awaiting settlement	-	-	3,188
Other receivables and prepayments	12	29	11
	13	93	3,203

For the period from 1 January 2008 to 30 June 2008

8. Payables

	Unaudited 30.06.08 Total £000	Unaudited 30.06.07 Total £000	Audited 31.12.07 Total £000
Purchases of investments awaiting settlement	246	231	-
Management fee	62	109	167
Performance fee	-	626	7,654
Other creditors	94	136	221
	402	1,102	8,042

9. Segmental information

The Board has considered the provisions of IAS 14 in relation to segmental reporting and concluded that the Group's activities form a single segment under the standard. From a geographical perspective, the Group's investments are focused in a single area - India. Equally, in relation to business segmentation, the Group's investments are predominantly in the small and mid-cap arena and it is considered that given the relative illiquidity of the listed market for such investments, particularly since many remain controlled by the promoter groups, the risks and rewards are not materially different whether the investments are listed or unlisted. An analysis of the investments between listed and unlisted is however provided in note 5.

10. Share capital

Authorised Share Capital	**£000**
125,000,000 Ordinary shares of £0.01 each	1,250

Issued Share Capital	**Number of shares**	**Share capital £000**	**Share premium £000**
Ordinary Shares of £0.01 each At 1 January 2008 & 30 June 2008	75,000,000	750	-

The Company's capital is represented by Ordinary Shares of £0.01 par value, and each share carries one vote. They are entitled to dividends when declared. The Company has no restrictions or specific capital requirements on the issue or repurchase of Ordinary Shares.

15,000,000 Warrants are in issue. Each warrant confers the right to subscribe for one Ordinary Share at a subscription price of £1. Warrant holders are entitled to exercise their subscription right between four and eight weeks following publication of the Company's annual accounts, commencing with the publication of the Company's annual accounts in 2009 and ending with the publication of the Company's annual accounts in 2011.

11. 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 of the Group and have overall responsibility for the Group's activities.

Jamie M.B.Cayzer-Colvin is a non-executive Director of the investment manager, India Investment Partners Limited.

Directors' fees are disclosed fully in each Annual Report. The basic fee payable to the Chairman is £25,000 p.a. and £15,000 p.a. to each other Director.

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 the Group's Total Assets, calculated and payable monthly in arrears.

The Investment Manager is also entitled to receive a semi-annual performance related fee from the Company if the Net Asset Value per Share at the end of the half-year performance period (a) exceeds the Net Asset Value per Share at the start of the performance period by an annualised, annually compounded, rate of more than 10 per cent. (the "Performance Hurdle") and (b) exceeds by an annualised, annually compounded, rate of more than 10 per cent. the highest previously recorded Net Asset Value per Share at the end of the performance period in respect of which a performance fee was last paid (the High Water Mark).

The performance fee is an amount equal to 20 per cent. of the aggregate increase in the Net Asset Value above the High Water Mark. 50% of any performance fee payable (net of all attributable taxes) is required to be reinvested in Ordinary Shares purchased in the market (if Ordinary Shares are trading at a discount to NAV) or by subscription for new shares at NAV (if the Ordinary Shares are trading at a premium). No performance fee was paid in respect of the six months ended 30 June 2008. A performance fee of £626,118 was paid on 6 July 2007 in respect of the six months ended 30 June 2007 and the appropriate proportion was reinvested by purchase of 189,573 Ordinary Shares in the market. A performance fee of £7,653,702 in respect of the six months ended 31 December 2007 was paid on 9 January 2008 and in consequence on 10 January 2008 a further 1,916,170 shares were purchased. 150,000 of these from the market, the balance from Caledonia Investments Plc.

Under the terms of the Administration and Secretarial Agreement, Northern Trust is entitled to a fee calculated on the Net Asset Value of the Company of 0.125 per cent. per annum on the first £50 million of Net Asset Value, 0.10 per cent. per annum on the next £50 million of Net Asset Value and 0.05% per cent. on any Net Asset Value in excess of £100 million, payable quarterly (subject to a minimum annual fee of £75,000). The administrator is also entitled to reimbursement of out of pocket expenses incurred in the performance of its duties.

12. Contingent liabilities

The directors are not aware of any contingent liabilities as at 30 June 2008 (2007:Nil).

13. Subsequent events

No significant subsequent events have occurred in respect of the Company or Group that are considered material to an understanding of these financial statements.

14. Company reserves

There is no material difference between the Group's reserves and the Company's reserves other than the Company's revenue reserve of £(3,504,939) (2007: £(1,503,378)) and the Company's unrealised capital reserve/(loss) of £14,762,000 (2007: £59,232,000) and the Company realised capital reserve of £8,280,000 (2007: £Nil).

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