India Capital Growth Fund

Interim report and unaudited consolidated condensed financial statements

For the period from 1 January 2012 to 30 June 2012

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consolidated condensed
financial statements

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1 January 2012 to
30 June 2012

Contents

Management and administration

Directors

Fred Carr (Chairman)
Jamie Cayzer-Colvin
John Whittle
Peter Niven
Vikram Kaushik (appointed 14 June 2012)
Ashok Dayal (resigned 14 June 2012)

Registered Office

Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Investment Manager

Ocean Dial Asset Management Limited
Cayzer House
30 Buckingham Gate
London SW1E 6NN

Administrator and Secretary

Northern Trust International Fund
Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Mauritian Administrator

International Financial Services Limited
IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Custodian

The Hong Kong and Shanghai Banking
Corporation Limited
HSBC Central Services Centre
2nd Floor 'Shiv'
Plot No. 139 – 140B
Western Express Highway
Sahar Road Junction
Vile Parle – E
Mumbai 400 057
India

HSBC Bank Plc
Institutional Fund Services
8 Canada Square
London E14 5HQ

Nominated Adviser

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrar

Capita IRG (CI) Limited
Longue Hougue House
St Sampson
Guernsey GY2 4JN

Independent Auditors

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St. Peter Port
Guernsey GY1 4AF

Legal Advisers to the Company

for UK and US Law
Herbert Smith LLP
Exchange House
Primrose Street
London EC2A 2HS

for Guernsey Law
Carey Olsen
Carey House
Les Banques
St. Peter Port
Guernsey GY1 4BZ

for Mauritian Law
C&A Law
Suite 1005
Level 1, Alexander House
35 Cybercity, Ebene
Mauritius

Chairman's statement

I am pleased to report that, despite disappointment over India's economic and political performance over the six month period to 30 June 2012, the Company's performance, as measured by its net asset value, has been creditable both in absolute and relative terms. The net asset value of the Company increased 11.6 per cent to 44.17 pence compared to the BSE Sensex which increased 5.1 per cent and the BSE Mid Cap Index which increased 11.7 per cent, both in Sterling terms. Disappointingly this good performance was not reflected in the share price which fell by 8.9 per cent. over the period to stand at a discount of 30.4 per cent. Over the period the Rupee depreciated by 7.3 per cent against Sterling and thus, in Rupee terms, the net asset value was up 19.5 per cent compared to the BSE Sensex which was up 12.8 per cent and the BSE Mid Cap Index which was up 19.8 per cent.

I should mention that we have for some time felt that neither of these benchmarks is ideal because of their disparity with the likely weightings of our portfolio towards large, mid and small cap companies. We are working behind the scenes to produce a bespoke benchmark, to be shown alongside the two existing Index benchmarks, which has weightings of 65 per cent mid cap, 25 per cent large cap and 10 per cent small cap. It will be some months before we make a decision whether or not to add the new benchmark, because we want to be satisfied that it will improve shareholder understanding, rather than being seen as mere "benchmark hopping".

The first six months of 2012 saw an overall improvement in the performance of Indian stock markets although most of this improvement occurred in the first quarter of the year, primarily driven by Foreign Institutional Investor ("FII") inflows which saw USD8.9bn enter India in that quarter. However, due to the resurgence in Eurozone fears, as well as domestic politics, these inflows disappointingly dried up over the second quarter. In April, the Budget for 2012-13 was passed which, despite low expectations, was also disappointing. Apart from a modest plan to reduce the fiscal deficit by containing welfare spending and increasing taxes, there was no sense of any strategic vision or roadmap. It did not go far enough either to alter long term expectations or short term prospects. The largest source of negativity from the Budget came from the proposed General Anti Avoidance Rules ("GAAR") designed to clamp down on capital gains tax avoidance that had been facilitated by bilateral taxation treaties. With certain retrospective capabilities, this proposal left a bitter taste amongst investors, and there was a noticeable fall in both FII inflow and the stock market post the Budget. Consequently the economy grew at a sluggish 5.5 per cent, far below India's historic norm, inflation remains high and there are few signs of a turn in the interest rate cycle.

The six month period also saw the political situation become progressively worse, mirroring the economic news over the period. This started with the ruling coalition partner, the Congress Party, receiving a drubbing in local elections in the areas of Uttar Pradesh, Punjab and Goa. This has compounded an already difficult situation for the Congress Party. By not having a working majority in Parliament, they have had to rely on support from smaller parties, which has increasingly frustrated their ability to enact vital reforms.

Outlook

In spite of several hurdles placed by Indian political paralysis, the domestic story remains strong.

The major political development over the period which has given cause for optimism is the retirement of Pranab Mukherjee from the Finance Ministry and his subsequent elevation to the presidency. This has led to Prime Minister Manmohan Singh taking over his portfolio. Singh, who was the main architect of the 1991 liberalisation reforms, has an understanding of what needs to be done to set India back on track. His initial pronouncements have indicated that the GAAR proposals have been shelved and there has been renewed noise on crucial reforms such as Foreign Direct Investment ("FDI") in aviation and retail.

Whilst nothing solid and significant has materialised yet, at the time of writing, foreign fund flows have recovered. As such foreign institutional investors have invested a net USD11bn into India since the start of the year amidst signs of potential stirrings amongst the political backlog of reforms that have been on the agenda for some time. FDI has also received a boost from two high profile announcements. Firstly, Ikea has decided to invest USD1.9bn to roll out 25 stores in India over the next 15 to 20 years. Secondly, Coca Cola has decided to increase their investment into India to USD5bn over the next eight years in various activities, from distribution to building new beverage bottling plants. These inflows are in line with our sentiment that, regardless of the political situation, there are tremendous opportunities for investing into India.

We are also encouraged by the performance of the Fund which is showing signs that the portfolio changes that have been made over the last year are now beginning to bear fruit. Your board is hopeful that if this performance continues then the share price discount to net asset value will narrow.

At the time of writing however a concern is the somewhat disappointing monsoon where rainfall levels are 10.0 per cent below seasonal averages. This could result in further downward pressure on the market as earnings expectations are pared. The decline in the share of agriculture as a component of GDP has lowered the adverse impact of a poor monsoon on overall growth, but the government's ability to respond is somewhat reduced by the country's weak fiscal position as against prior years where similar "droughts" occurred. The monsoon season is not yet over so downward revisions to growth may not be final.

Board change

At the AGM on 14 June 2012 the board said goodbye to Ashok Dayal, who retires with our best wishes. Ashok has served as a director of the Company since its inception in 2005 and we thank him for his consistently sound judgement and wise counsel. At the same time we are delighted to announce the appointment of Vikram Kaushik as his replacement. He brings a breadth of experience ranging across a group of top corporate institutions and we look forward to working with him.

Fred Carr I Chairman

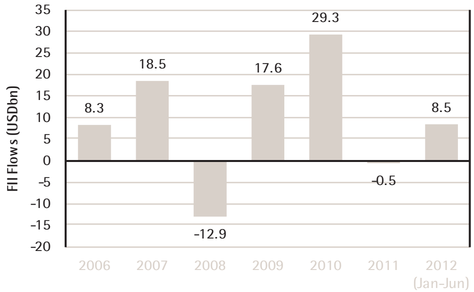
12 September 2012

Investment manager's report

Economic Update

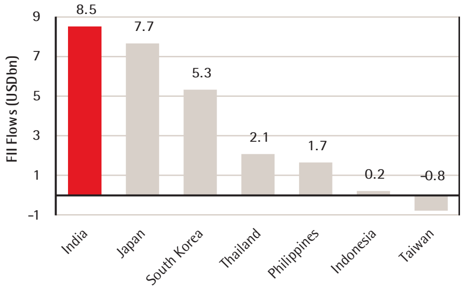
This period can best be characterised by deteriorating fundamentals for the domestic economy and declining growth in global economies. Yet markets rose, not just in India but across emerging economies. This was due to a surge in liquidity, driven by the Long Term Refinancing Operation ("LTRO") rush that came the way of all emerging markets during Q1 2012. India was one of the largest recipients of this inflow, but what surprised us was that this liquidity stayed put, despite many emerging economies witnessing outflows during Q2 2012. This is somewhat baffling given the weakening economic indicators in the domestic economy. The fact that India still maintained one of the highest GDP growth rates among emerging markets and is relatively less dependent on the global environment (exports account for only 17 per cent of GDP), is possibly why foreign flows remained sticky.

Chart 1: Net FII flows into India: A key driver for the markets



Source: Bloomberg

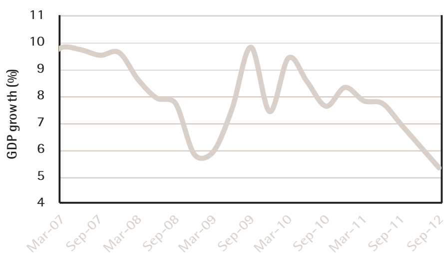
Chart 2: Net FII flows into Asia: A key driver for the markets (Jan – Jun 2012)



Source: Bloomberg

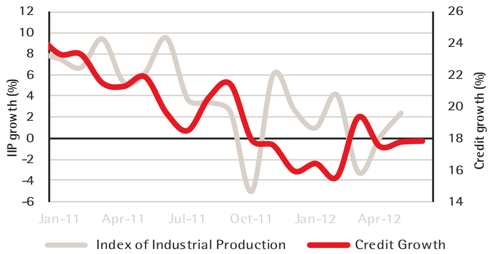
On the economic front, 2011 had brought forward some hard realities. The Indian economy continued to slow and whilst global factors contributed, much of the problems were self-inflicted with the Central Government unable to manage its coalition partners and hampered by a series of corruption scandals driven by years of proliferation. The resultant policy paralysis had crippled investments and delayed the much needed reforms to sustain growth. Moreover, persistent high inflation and a rising fiscal imbalance restricted the Reserve Bank of India ("RBI") in using monetary policy to kick start growth.

Chart 3: GDP growth rate coming off...



Source: Bloomberg

Chart 4: ... so is IIP and credit growth



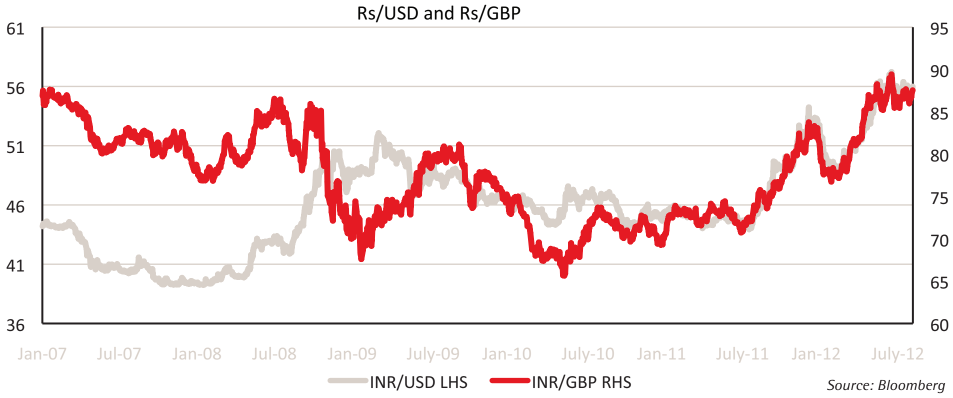
Source: Bloomberg

Economic Update (continued)

Yet, 2012 had started amidst a lot of hope. The Government, which until now blamed global factors for the deterioration in India's macro environment, came to face the reality of its own shortcomings. Thus there was a lot of promise that the Budget presented in March would address some of the issues. Also, with the state assembly elections in Uttar Pradesh, expectations of an improved showing by the Congress party had built hope that this would strengthen its bargaining power at the Centre. In reality, the Congress party was decimated in Uttar Pradesh and whilst the budget did attempt to rein in the rising fiscal deficit (from 5.9 per cent in FY12 to 5.1 per cent expected in FY13), any announcement on policy measures to kick start investments were absent.

The killer blow came from certain retrograde tax provisions. These were aimed at taxing certain transactions with retrospective effect, effectively questioning the strong and independent legal system of the Supreme Court. A second tax law aimed at curbing tax avoidance gave the Government such sweeping powers, that it would even override existing tax treaties. This also implied that FII might come under the capital gains tax net. These provisions, though still to be implemented, have done a lot to dampen investment sentiment.

Chart 5: The Rupee hit an all-time low v USD and GBP in June

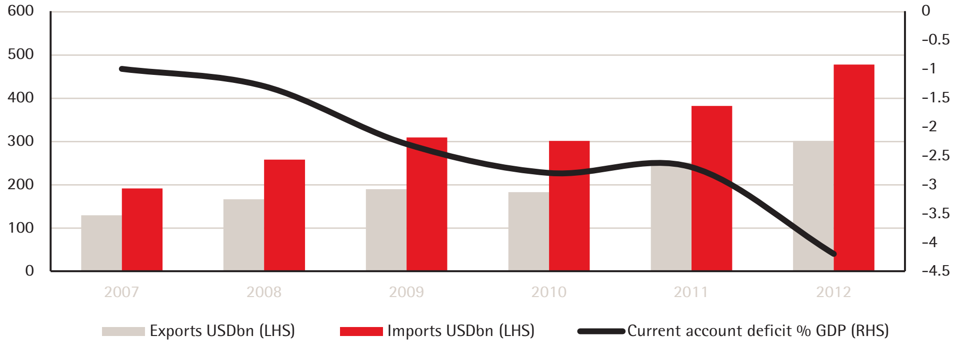


Source: Bloomberg

The second quarter of 2012 was marked by a sharp depreciation of the currency. Over a three month period to the end of May, the Rupee depreciated approximately 15 per cent against the USD. India has historically run a current account deficit because it imports 80 per cent of its crude oil requirements, while crude itself accounts for 30 per cent of India's imports. Up until now, this had not posed a concern because of a surplus in the capital account driven by inflows of FDI. However, with risk aversion globally and an adverse investment climate domestically, investors have begun to question the sustainability of these flows.

Moreover, with over USD6.5bn of foreign debt obligations due for repayment in the current year, India's Balance of Payments is precariously poised and this is being reflected in the volatility in the currency. The Rupee depreciation has offset benefits that could have arisen due to the falling commodity prices and has ensured inflation remains at elevated levels. Also, with the RBI intervening periodically to reduce volatility, it has squeezed liquidity in the system – both factors limiting the RBI's ability to lower interest rates.

Chart 6: India has historically run a current account deficit



Source: Bloomberg

Though the current account poses a challenge, India remains comfortable on its foreign exchange reserves, and does not own excessive levels of foreign debt, public or private. In addition, the RBI has affected some changes to policy by increasing limits on foreign ownership levels in the debt markets and allowing greater access to corporates looking to raise debt capital overseas. Another avenue for curbing imports is the import of gold which can be as high as 2.5 per cent of GDP.

However, should risk aversion increase globally and thereby prompt a further repatriation of capital, the financing of the current account deficit could pose serious short term challenges. Were the reverse to happen, it could have a beneficial impact, as a strengthening currency will bring India's import bill down and the resultant lower cost of crude should reduce inflation and put less pressure on the fiscal deficit. We are beginning to see some signs of this happening.

Crude price in INR: Sharp price fall, now also getting reflected in INR terms

Source: Bloomberg

While the first six months of the year has been one of the most volatile we have come across, going into the second half of the year, even though most macro indicators are still exhibiting a negative trend, we are turning more optimistic. Incrementally, we are seeing more positive developments.

Firstly, from a global perspective, the weakening demand environment and its manifestation through lower commodity prices, particularly oil, is a big positive for India. As highlighted earlier, India imports almost 80 per cent of its crude oil requirements. With prices down 17 per cent in Rupee terms from the peak in March 2012, we have seen a significant fall in India's crude import basket. Besides its direct impact on the current account deficit and currency, we see the biggest impact on the government fiscal situation. As 60 per cent of the petroleum basket consumption in India is subsidised by the government, a reduction of about USD10 per barrel in oil could reduce the government subsidy bill by almost USD7.5bn. Also, easing commodity prices will exert less pressure on inflation, giving greater head room to the RBI to ease interest rates to try and instill growth.

Secondly and more importantly, we are sensing that at the political level, "things" are finally moving. While a lot of this is based on news flows emerging from the various departments of the Government rather than concrete actions, there are two recent developments which we believe have changed the equation:

(a) There has been a political realignment, with the principal opponent within the ruling coalition, the Trinamool Congress, being sidelined and in its place a more pragmatic supporter in the form of the Uttar Pradesh based Samajwadi Party. The first test was the nomination for the Presidential election, where despite the opposition of the Trinamool Congress, the ruling coalition went ahead with its nominee. We believe this could signal the beginning of a series of incremental policy announcements on reforms.

(b) The second major development has been the departure of the Finance Minister, with the Prime Minster directly taking charge of the portfolio. This is a significant development, especially since the Prime Minister has come under direct flak from Indian industry as well as the investor community for being responsible for the policy paralysis. Interestingly, the first move after taking charge was to state publicly that the adverse tax proposals in the budget would be reconsidered. Other significant policy changes have been mooted and we wait to hear if any of these whispers emerge into anything more concrete.

While we do admit that even if the political environment improves and some reform measures are implemented, it would take at least another two quarters before it starts to be reflected in any visible improvement in the macro environment. However, we do believe that the ingredients are still in place – a huge consumer market and a large infrastructure deficit. What is urgently required is recovery of industry confidence that the government will start again to address critical issues. Critical to support these renewed efforts is a good monsoon, requiring sufficient rainfall to ensure healthy crop yields to support farmers' incomes and keep a lid on food inflation.

Having said that, our main worry is the outlook on the annual monsoon rainfall, which is essential to kick start the economy. So far the signs are ominous, with a delay in the onset of the monsoons, and deficit rainfall across most of the country. Though the meteorological department still believes that monsoon should recover, a deficit could upset all calculations. While at 16% of GDP, agriculture is no longer as great a contributor to GDP growth, with almost 60 per cent of the population dependent on agriculture, a weak monsoon could have a cascading impact. It would lower rural income and growth and force the Government to shift expenditure to lessen the burden on the farming community.

Portfolio construction and performance

In the 2011 Annual Review we highlighted the reconstruction of the portfolio through a reduction in the concentration levels and an improvement in liquidity. The investment process was also strengthened with the portfolio being built around a combination of high quality stocks and those that offered deep value. The results of these efforts are now visible in much improved portfolio performance.

The net asset value of the Company was up 19.5 per cent in Rupee terms. Within the portfolio, the average cash position was 13 per cent, though this was deployed and by the end of June, the cash position was down to 6.6 per cent. Incremental investments were largely in stocks in the healthcare and consumer sectors, leaving our largest exposure in the financial, industrial and healthcare sectors. In terms of portfolio positioning, the key differentiator against the benchmark was our significant underweight in materials and consumer discretionary sectors. Positive relative performance was generated from our portfolio positioning in industrials, materials and consumer staples, while a majority of negative relative performance came from our high average holding of cash.

Portfolio holdings which positively contributed were KPIT Cummins (3.6 per cent weighting), Sobha Developers (3.1 per cent weighting) and Jyothy Labs (4.1 per cent weighting), giving gains of 58 per cent, 80 per cent and 46 per cent respectively for the six months to 30 June 2012. The portfolio also benefited from its exposure in IVRCL, Divi's Laboratories and IndusInd Bank. Besides the cash, the relative negative contribution came from Manappuram Finance, Bilcare and Jain Irrigation.

Principal Investments at 30 June 2012

Federal Bank Limited (4.2 per cent of the portfolio)

Federal Bank is a long established private sector bank with a network of over 950 branches and a dominant presence in the southern Indian state of Kerala. The Bank is India's fifth largest private sector bank with a loan book of INR378bn and a deposit base of INR489bn. The Bank's advances are primarily dominated by the SME (~29 per cent of loan book) and retail segments (~27 per cent of the loan book). It has a sustainable competitive advantage emanating from a steady customer base and a strong Tier 1 capital ratio of 15.9 per cent. The Bank has been putting in place the building blocks necessary to capitalise on an economic recovery and to transform itself from a quasi-public sector bank to a private sector bank. A new management team, led by an ex-Standard Chartered veteran is overseeing this transformation. Consequently a significant improvement in asset quality and efficiencies is anticipated, driving both its returns on equity and assets. Based on the closing market price on 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 8.4x and 1.3x projected FY2013 adjusted book value.

Jyothy Laboratories Limited (4.1 per cent of the portfolio)

Jyothy Laboratories (Jyothy) is an FMCG company manufacturing and marketing products in the fabric care, mosquito repellents and dish washing categories under the Ujala, Maxo and Exo brands respectively. Jyothy further enhanced its product basket with the acquisition of Henkel India in June 2011, acquiring brands in the detergents, toothpaste, soaps, dish washer and deodorants space. With this acquisition, Jyothy now has a strong and diversified product basket. Since the acquisition, Jyothy has integrated Henkel and turned it around, largely by reducing the cost structure. Going forwards, the true benefits of an integrated distribution and supply chain will be reflected in "above market" revenue growth as well as an expansion in margins. As at 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 19.9x.

Dish TV India Limited (3.7 per cent of the portfolio)

Dish TV is the largest direct to home (DTH) service provider in India, with a subscriber base of 9.6m. The Indian DTH industry is a six player market and Dish TV is the market leader with 30 per cent market share. The subscriber growth will accelerate as the government-mandated digitalisation process is set to roll out by the end of this year. Initially in four metropolitan cities, it will then spread across the country by the end of 2014. Digitalisation, when implemented successfully, will be a significant catalyst, since it will force households to choose a set-top box for either DTH or digital cable. The management remains hopeful that "legislation led" implementation will open up a 3-3.5m subscriber opportunity. The Company is currently loss making, but expects to be earnings and cash flow positive in FY2013.

CESC Limited (3.6 per cent of the portfolio)

CESC is a vertically integrated electric utility Company engaged in the business of generation, transmission and distribution of electricity to consumers in its licensed area, which covers the cities of Kolkata and Howrah in the state of West Bengal. It currently has four power plants with a generation capacity of 1,225MW servicing 2.5m consumers. It has an ambitious target of adding a further 7,000 MW of generating capacity in the next seven years. CESC's distribution business in Kolkata provides strong cash flows and steady growth. The company also owns the retail chain Spencer's, (a mix of Hyper and Supermarkets), across India. Though the retail business has been loss making, it has shown gradual improvement in reducing its losses and a pickup in operating performance. With expectations of foreign investment becoming possible in multi brand outlets, Spencer's is expected to be a key beneficiary leading to a significant re-rating in the stock. As at 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 7.5x.

KPIT Cummins Infosystems Limited (3.6 per cent of the portfolio)

KPIT Cummins is a mid-sized Indian IT services company operating in the automotive, manufacturing, energy & utility verticals. It has strong Oracle and SAP practices and has developed these capabilities through in-house research and acquisitions. It has a strategic relationship with Cummins Inc. (investor and largest client), which provides KPIT with the engineering know-how to pitch to other manufacturing clients. Focus on few verticals has worked well for KPIT: 27 per cent CAGR in revenues and 30 per cent CAGR in net profit from 2008-12. KPIT has already won significant new deals in the current financial year, and expects growth of 32-35 per cent in FY2013 (20-22 per cent organic growth vs. industry growth of 11-14 per cent). Based on the closing price on 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 11.7x.

Jain Irrigation Systems Limited (3.3 per cent of the portfolio)

Jain Irrigation is the largest Micro Irrigation (MI) operator in India and the second largest in the world. Established in 1986, it is a global organisation headquartered at Jalgaon, Maharashtra. The company employs over 7,000 associates and manufactures a number of products, including drip and sprinkler irrigation systems, polyvinyl chloride and polyethylene piping systems, plastic sheets, greenhouses, bio-fertilizers, and solar products. The company also processes fruits and vegetables into aseptic concentrates, frozen fruits and dehydrated vegetables. It has 27 manufacturing plants spread over four continents and its products are supplied to 120 countries through dealers and distributors worldwide. The estimated size of the domestic micro irrigation industry is USD600m and is growing at more than 20 per cent annually. Despite the strong volume growth the penetration of irrigation systems within the farming community is still just 8 per cent. However, due to the inherent advantages (improved yield and low water consumption) and strong government support, high levels of growth are sustainable. As at 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 11.8x.

Lupin Limited (3.2 per cent of the portfolio)

Lupin is a pharmaceuticals manufacturer operating in the generics space, with a strong presence in the domestic market and the USA. The company has established itself in more than 70 countries, with a sizeable presence in Japan, South Africa and the European Union. Lupin is the fastest-growing Indian firm in the US generics market in the last two years, and is now the fifth largest in terms of prescriptions and is the market leader in 16 of its 35 launched products in the USA. At home, it has outpaced the market growth in domestic formulations over the past five years. As at 30 June 2012, the stock trades at a price to projected 2013 earnings ratio of 21.1x.

Divi's Laboratories Limited (3.1 per cent of the portfolio)

Divi's Labs provides contract research and manufacturing services ("CRAMS") to the global pharmaceutical industry. It does not develop or market any final product of its own, but manufactures and supplies key ingredients to front-end pharmaceutical companies, who in turn formulate and market them to the final consumers. The company undertakes custom manufacture of APIs (active product ingredients) for innovator companies and to generic companies where it benefits from strong economies of scale. First-mover advantage allows the company to capture significant share of outsourcing by pharmaceutical innovator companies. Divi's sells API's to a large selection of the world's top 25 "innovators". Divi's selects products with complex chemistry, develops proprietary, efficient processes to manufacture them and tries to capture a large share of the global market for products where it can control pricing. This has helped them to generate the best margins in the contract manufacturing industry within India. As at 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 23.2x.

Indian Bank Limited (3.1 per cent of the portfolio)

Indian Bank is a south India based mid-sized public sector bank with total assets of USD4.2bn. It has a network of 1,958 branches and more than 1,280 ATMs across India. India Bank's advances are dominated by the corporate and commercial segments which constitute 55 per cent of the loan book, while the retail and small & medium enterprises segment together constitute around 25 per cent. The remainder of the book focuses on the agriculture segment and overseas credit forms. Indian Bank has a return on equity of 18 per cent and a return on assets of 1.3 per cent, which are amongst the best the public banking sector. As at 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 4.0x.

Sobha Developers Limited (3.1 per cent of the portfolio)

Sobha Developers is the largest real estate developer in South India with a presence across seven cities. Since inception in 1995, the company has delivered 24.45m sq. ft. of real estate projects and 26.35m sq. ft. of space in contractual projects (construction projects undertaken on contract for its clients). It is the preferred contractor for Infosys, while other clients include Hewlett Packard, Dell, the Taj Group, HCL Technologies, Contel, and Bharat Forge. It has a land bank of 2,578 acres, 38 per cent of which is in Bangalore. The company is expected to benefit from stable South Indian property market and its focus on the residential segment. As at 30 June 2012, the stock trades at a price to projected FY2013 earnings ratio of 13.8x.

Conclusion

The first half of 2012 has seen a further deterioration in the fundamentals of the Indian economy. Policy inaction and the resultant fall in investment over the last year is now being reflected in declining GDP growth and falling industrial production and credit growth. High and sticky inflation is also limiting monetary policy action.

The global environment also remains uncertain with further signs of weaker global growth ahead of us. India is feeling this through its volatile currency, declining exports and a rising current account deficit. Going forwards though, the fall in commodity prices is a positive as it eases pressure on India's current account as well as tempering inflationary pressures. Any liquidity infusion measures in the Western economy may also result in some liquidity flowing into India, which could greatly help revive the market sentiment.

A majority of India's current problems are driven by internal factors and thus the solutions also lie within. Policy initiatives and efforts to rebuild confidence can change the investment climate in quick time. We are encouraged that the government has at last acknowledged the issues, with recent political realignments and renewed energy in the corridors of power giving us confidence in the months ahead.

Ocean Dial Asset Management

12 SEPTEMBER 2012

Directors' Report

The Directors present their interim report and the unaudited consolidated condensed financial statements of the Group for the period from 1 January 2012 to 30 June 2012.

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 30 June 2012, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited comprising the "Group". The Company was admitted to trading on the AIM market of the London Stock Exchange ("AIM") 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 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 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 securities. The Group may, for the purposes of hedging and investing, use derivative instruments such as financial futures, options and warrants. The Group 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 per cent of the net assets of the Group at the time of the drawdown. It is the Group's declared policy not to hedge the exposure to the Indian Rupee.

Results and dividends

The Group's performance during the period is discussed in the Investment Manager's Report on page 5.

The results for the period are set out in the unaudited consolidated statement of comprehensive income on page 18.

The Directors do not recommend the payment of a dividend for the period ended 30 June 2012.

Ongoing Charges

During the period, the Association of Investment Companies (AIC) recommended that Ongoing charges disclosure should replace the Total Expense Ratio. Ongoing charges for the period ended 30 June 2012 and 30 June 2011 have been prepared in accordance with the AIC's recommended methodology and replaced the previously used Total Expense Ratios. The Ongoing charges for the 30 June 2012 was 2.90 per cent (30.06.11: 2.66 per cent). The Total Expense Ratio disclosed in the Half-Yearly Financial Report at 30 June 2011 was 2.66 per cent.

Substantial interests

Shareholders who at 30 June 2012 held an interest of 3 per cent or more of the Ordinary Share Capital of the Company are stated in the table below:

	NO. SHARES	% HOLDING
HSBC Global Custody Nominee (UK)	23,253,170	31.00
Nortrust Nominees Limited	8,160,000	10.88
Securities Services Nominees Limited	5,817,000	7.76
Chase Nominees Limited	5,735,210	7.65
Rathbone Nominees Limited	5,352,127	7.14
BNY (OCS) Nominees Limited	3,905,000	5.21
Harewood Nominees Limited	2,900,000	3.87

Shares held by HSBC Global Custody Nominee (UK) amounting to 17,983,830 are shares held on behalf of Caledonia Investment Plc.

In addition, the Cayzer Trust Company Limited which has a substantial shareholding in Caledonia Investments Plc holds 2,000,000 shares in the Company (2.67 per cent).

At 30 June 2012, the Investment Manager, Ocean Dial Asset Management Limited, and connected persons (not elsewhere disclosed) held in aggregate 1,759,177 (2.35%) shares.

Directors

The names of the Directors of the Company are set out on page 1. All of the Directors were in office for the entire period and subsequent to the date of this report unless stated below.

On 14 June 2012, Mr Ashok Dayal resigned as a Director. On the same date Mr Vikram Kaushik was appointed to the Board.

Directors' interests

At 30 June 2012, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary Shares
Fred Carr	80,000
Jamie Cayzer-Colvin	99,627

Jamie Cayzer-Colvin is a non-executive Director of Ocean Dial Asset Management Limited, the Investment Manager and also an employee and Director of Caledonia Investments Plc and a non-executive director of Cayzer Trust Company Limited.

Approved by the Board of Directors and signed on behalf of the Board on 12 September 2012.

Fred Carr
Director

Peter Niven
Director

Independent review report
to India Capital Growth Fund Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2012 which comprises the condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated statement of financial position, condensed consolidated interim statement of cashflows and the related notes 1 to 13. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "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 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 in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union (IAS 34).

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

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 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 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 assurance 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 six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP | Guernsey, Channel Islands

12 SEPTEMBER 2012

Notes:

The maintenance and integrity of the India Capital Growth Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial 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 2012

HOLDING	TYPE	SECTOR	VALUE £000'S	% OF PORTFOLIO
Federal Bank Limited	Mid Cap	Financials	1,406	4.24
Jyothy Laboratories Limited	Mid Cap	Consumer staples	1,357	4.10
Dish TV India Limited	Mid Cap	Consumer discretionary	1,226	3.70
CESC Limited	Mid Cap	Utilities	1,180	3.56
KPIT Cummins Infosystems Limited	Mid Cap	IT	1,177	3.55
Jain Irrigation Systems Limited	Mid Cap	Industrials	1,083	3.27
Lupin Limited	Large Cap	Healthcare	1,063	3.21
Divi's Laboratories Limited	Large Cap	Financials	1,024	3.09
Indian Bank	Mid Cap	Financials	1,018	3.08
Sobha Developers Limited	Mid Cap	Financials	1,017	3.07
Total top 10 equity investments			**11,551**	**34.87**
Other Small Cap	(4 companies)		2,131	6.43
Other Mid Cap	(15 companies)		10,969	33.11
Other Large Cap	(8 companies)		6,279	18.95
Other Unlisted	(1 company)		–	–
Total equity investments			**30,930**	**93.36**
Cash plus other net current assets			2,200	6.64
Total Portfolio			**33,130**	**100.00**

Note:
Large Cap comprises companies with a market capitalisation above INR 100 billion (£1.4 billion)

Mid Cap comprises companies with a market capitalisation between INR 15 billion and INR 100 billion (£215 million – £1.4 billion)

Small Cap comprises companies with a market capitalisation below INR 15 billion (£215 million)

India Capital Growth Fund

Portfolio statement

As at 30 June 2012

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Listed Securities			
Consumer discretionary			
Dish TV India Limited	1,695,000	1,226	3.70
Kajaria Ceramics Limited	350,000	650	1.96
Motherson Sumi Systems Limited	249,000	462	1.39
Prime Focus Limited	1,225,554	744	2.25
		3,082	9.30
Consumer staples			
Emami Limited	149,715	848	2.56
Jyothy Laboratories Limited	507,000	1,357	4.10
		2,205	6.66
Energy			
Cairn India Limited	172,000	601	1.81
Hindustan Petroleum Corporation Limited	207,000	788	2.38
		1,389	4.19
Financials			
Arihant Foundations & Housing Limited	592,400	302	0.91
Bajaj Holdings & Investment Limited	66,002	585	1.77
Federal Bank Limited	276,000	1,406	4.24
Indian Bank	509,298	1,018	3.07
IndusInd Bank Limited	257,000	993	3.00
Infrastructure Development Finance Company	537,900	832	2.51
Jammu & Kashmir Bank Limited	89,000	999	3.02
Manappuram General Finance & Leasing Limited	2,554,529	911	2.75
Sobha Developers Limited	263,612	1,017	3.07
Yes Bank Limited	229,000	883	2.67
		8,946	27.01
Healthcare			
Bilcare Limited	253,364	435	1.31
Divi's Laboratories Limited	88,000	1,024	3.09
IPCA Laboratories Limited	192,175	783	2.36
Lupin Limited	174,200	1,063	3.21
Torrent Pharmaceuticals Limited	48,000	327	0.99
		3,632	10.96

Portfolio statement (continued)

As at 30 June 2012

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Industrials			
Eicher Motors Limited	37,146	844	2.55
Jain Irrigation Systems Limited	1,146,693	1,083	3.27
Larsen & Toubro Limited	59,200	940	2.84
Max India Limited	452,549	987	2.98
Sintex Industries Limited	649,154	453	1.37
Voltas Limited	558,627	664	2.00
		4,971	15.01
IT			
KPIT Cummins Infosystems Limited	895,106	1,177	3.55
Redington (India) Limited	767,740	670	2.02
		1,847	5.57
Materials			
Berger Paints (I) Limited	492,740	768	2.32
Bhushan Steel Limited	133,700	704	2.12
Rallis India Limited	611,290	964	2.91
		2,436	7.35
Telecommunications			
Idea Cellular Limited	688,000	592	1.79
		592	1.79
Utilities			
CESC Limited	358,692	1,180	3.56
Petronet LNG Limited	400,000	650	1.96
		1,830	5.52
Total listed securities		**30,930**	**93.36**
Unlisted Securities			
IT			
CitiXsys Technologies Private Limited	817,650	–	–
Total unlisted securities		**–**	**–**
Total investments		**30,930**	**93.36**
Cash plus other net current assets		**2,200**	**6.64**
Total Portfolio		**33,130**	**100.00**

India Capital Growth Fund

Unaudited consolidated statement of comprehensive income

For the six months to 30 June 2012

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED SIX MONTHS TO 30.06.12 TOTAL £000	UNAUDITED SIX MONTHS TO 30.06.11 TOTAL £000	AUDITED YEAR TO 31.12.11 TOTAL £000
Income						
Investment income		151	–	151	152	454
		151	**–**	**151**	**152**	**454**
Net gains/(losses) on financial assets at fair value through profit or loss						
Market movements	2	–	6,406	6,406	(8,055)	(16,707)
Foreign exchange movements	2	–	(2,541)	(2,541)	(1,892)	(7,275)
		–	**3,865**	**3,865**	**(9,947)**	**(23,982)**
Total income/(expense)		**151**	**3,865**	**4,016**	**(9,795)**	**(23,528)**
Expenses						
Management fee	11	(254)	–	(254)	(333)	(613)
Transaction charges for acquisition and disposal of investments		–	(79)	(79)	(97)	(195)
Foreign exchange (losses)/gains		(92)	78	(14)	(88)	(931)
Other expenses	3	(236)	–	(236)	(258)	(480)
Total expenses		**(582)**	**(1)**	**(583)**	**(776)**	**(2,219)**
Profit/(loss) for the period/year before taxation		(431)	3,864	3,433	(10,571)	(25,747)
Taxation	6	–	–	–	–	–
Profit/(loss) for the period/year after taxation		**(431)**	**3,864**	**3,433**	**(10,571)**	**(25,747)**
Earnings/(loss) per Ordinary Share (pence)	4	(0.57)	5.15	4.58	(14.09)	(34.33)

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

The profit after tax is the "total comprehensive income" as defined by IAS 1. There is no other comprehensive income as defined by IFRS.

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

The notes on pages 23 to 29 form part of these financial statements.

Unaudited consolidated statement of changes in equity

For the six months to 30 June 2012 (unaudited)

	NOTES	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 2012		750	(24,031)	(15,426)	(4,474)	72,878	29,697
Gain/(loss) on investments	2	–	(2,020)	8,426	–	–	6,406
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(431)	–	(431)
Transaction charges for acquisition and disposal of investments		–	(30)	(49)	–	–	(79)
Loss on foreign currency		–	(952)	(1,511)	–	–	(2,463)
Balance as at 30 June 2012		**750**	**(27,033)**	**(8,560)**	**(4,905)**	**72,878**	**33,130**

For the six months to 30 June 2011 (unaudited)

	NOTES	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 2011		750	(19,312)	4,027	(2,899)	72,878	55,444
Loss on investments	2	–	(1,956)	(6,099)	–	–	(8,055)
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(525)	–	(525)
Transaction charges for acquisition and disposal of investments		–	(49)	(48)	–	–	(97)
Loss on foreign currency		–	(240)	(1,654)	–	–	(1,894)
Balance as at 30 June 2011		**750**	**(21,557)**	**(3,774)**	**(3,424)**	**72,878**	**44,873**

Unaudited consolidated statement of changes in equity (continued)

For the year ended 31 December 2011 (audited)

	NOTES	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 2011		750	(19,312)	4,027	(2,899)	72,878	55,444
Loss on investments	2	–	(4,011)	(12,696)	–	–	(16,707)
Revenue loss for the year after taxation (excluding foreign exchange losses)		–	–	–	(1,575)	–	(1,575)
Transaction charges for acquisition and disposal of investments		–	(98)	(97)	–	–	(195)
Loss on foreign currency		–	(610)	(6,660)	–	–	(7,270)
Balance as at 31 December 2011		**750**	**(24,031)**	**(15,426)**	**(4,474)**	**72,878**	**29,697**

The notes on pages 23 to 29 form part of these financial statements.

Unaudited consolidated statement of financial position

As at 30 June 2012

	NOTES	UNAUDITED 30.06.12 £000	UNAUDITED 30.06.11 £000	AUDITED 31.12.11 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	5	30,930	41,451	21,928
Current assets				
Cash and cash equivalents	1	2,036	3,804	7,865
Receivables	7	294	927	34
		2,330	4,731	7,899
Current liabilities				
Payables	8	(130)	(1,309)	(130)
Net current assets		2,200	3,422	7,769
Total assets less current liabilities		33,130	44,873	29,697
Equity				
Ordinary share capital	10	750	750	750
Reserves		32,380	44,123	28,947
Total equity		33,130	44,873	29,697
Number of Ordinary Shares in issue		**75,001,463**	**75,001,463**	**75,001,463**
Net Asset Value per Ordinary Share (pence)		**44.17**	**59.83**	**39.59**

The unaudited consolidated condensed financial statements on pages 18 to 29. were approved by the Board of Directors on 12 September 2012 and signed on its behalf by:

Fred Carr
Director

Peter Niven
Director

The notes on pages 23 to 29 form part of these financial statements.

Unaudited consolidated statement of cash flows

For the six months to 30 June 2012

	UNAUDITED SIX MONTHS TO 30.06.12 £000	UNAUDITED SIX MONTHS TO 30.06.11 £000	AUDITED YEAR TO 31.12.11 £000
Cash flows from operating activities			
Investment income	56	27	454
Management fee	(251)	(349)	(646)
Other cash payments	(160)	(288)	(503)
Net cash outflow from operating activities	**(355)**	**(610)**	**(695)**
Cash flows from investing activities			
Purchase of investments	(13,931)	(11,281)	(24,627)
Sale of investments	8,628	12,449	30,889
Transaction charges relating to the purchase and sale of investments	(79)	(97)	(195)
Net cash (outflow)/inflow from investing activities	**(5,382)**	**1,071**	**6,067**
Net (decrease)/increase in cash and cash equivalents during the period/year	(5,737)	461	5,372
Cash and cash equivalents at the start of the period/year	7,865	3,429	3,429
Exchange losses on cash and cash equivalents	(92)	(86)	(936)
Cash and cash equivalents at the end of the period/year	**2,036**	**3,804**	**7,865**

The notes on pages 23 to 29 form part of these financial statements.

Notes to the unaudited consolidated condensed financial statements

For the six months to 30 June 2012

1. Accounting Policies

Basis of preparation

The unaudited interim consolidated condensed financial statements for the six months ended 30 June 2012 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Group's investments to fair values and in accordance with IAS 34: Interim Financial Reporting, as adopted by the EU.

The unaudited interim consolidated condensed 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 financial statements as at 31 December 2011.

Basis of accounting

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 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 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 2009 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 consolidated statement of comprehensive income.

The same accounting policies have been adopted in these financial statements as in the annual report and audited financial statements for the year ended 31 December 2011.

Basis of consolidation

ICG Q Limited (the "Subsidiary") is 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.

Income

Income including bank interest and fixed deposit interest is accounted for on an accruals basis. Dividends receivable are classified as investment income and taken to the statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income.

Taxation

Full provision is made in the statement of comprehensive income at the relevant rate for any taxation payable in respect of the results for the period.

1. Accounting policies (continued)

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 consolidated statement of comprehensive income. Gains and losses arising from changes in fair value are presented in the consolidated statement of comprehensive income 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 investments 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).

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.

Monetary foreign currency assets and liabilities, including investments at fair value through profit or loss, 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 consolidated statement of comprehensive income.

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.

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 were in issue but not yet effective have not been early adopted in these financial statements.

IFRS 9 – Financial instruments and IFRS 13 – Fair value measurement are effective for periods beginning on or after 1 January 2015 and 1 January 2013 respectively. The Board has not yet assessed the impact of those standards as these have been recently published. 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.

Notes to the unaudited consolidated condensed financial statements (continued)

For the six months to 30 June 2012

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

	Unaudited Six months to 30.06.12 £000	Unaudited Six months to 30.06.11 £000	Audited Year to 31.12.11 £000
Realised loss			
Proceeds from sales of investments during the period/year	8,794	13,216	30,889
Original cost of investments sold during the period/year	(11,844)	(15,410)	(35,515)
Loss on investments sold during the period/year	(3,050)	(2,194)	(4,626)
Market loss	(2,020)	(1,956)	(4,011)
Foreign exchange loss	(1,030)	(238)	(615)
Unrealised market (loss)/gain			
Previously recognised unrealised gain now realised	(3,443)	(69)	(2,017)
Current period market gain/(loss)	11,869	(6,030)	(10,679)
Market gain/loss	8,426	(6,099)	(12,696)
Unrealised market gain/(loss) on listed securities	8,426	(6,099)	(12,696)
Unrealised market gain on unlisted securities	–	–	–
Unrealised foreign exchange loss			
Previously recognised unrealised foreign exchange gain now realised	(1,257)	(431)	(1,344)
Current period foreign exchange loss	(254)	(1,223)	(5,316)
	(1,511)	(1,654)	(6,660)
Net gain/(loss) on financial assets at fair value through profit or loss	3,865	(9,947)	(23,982)

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

3. Other expenses

Revenue	Unaudited Six months to 30.06.12 £000	Unaudited Six months to 30.06.11 £000	Audited Year to 31.12.11 £000
Directors' fees (note 11)	47	43	85
D&O insurance	7	7	14
Administration and secretarial fees (note 11)	51	60	120
Audit fee	20	24	27
Custody fees	5	10	15
Other advisory services	35	40	78
Warrant exercise period expenses	–	3	4
General expenses	71	71	137
	236	258	480

4. Earnings/(loss) per share

Earnings per Ordinary Share is calculated on the profit for the period of £3,433,000 (30.06.11 – loss of £10,571,000) divided by the weighted average number of shares of 75,001,463 (30.06.11 – 75,001,463).

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

	Listed £000	Unlisted £000	Unaudited Six months to 30.06.12 Total £000	Unaudited Six months to 30.06.11 Total £000	Audited Year to 31.12.11 Total £000
Cost as at 1 January	35,653	815	36,468	47,356	47,356
Purchases	13,931	–	13,931	12,441	24,627
Sales proceeds	(8,794)	–	(8,794)	(13,216)	(30,889)
Realised loss on sale of investments	(3,050)	–	(3,050)	(2,194)	(4,626)
Cost at end of period/year	37,740	815	38,555	44,387	36,468
Unrealised loss on revaluation	(1,981)	(815)	(2,796)	(4,625)	(11,222)
Unrealised foreign exchange (loss)/gain on revaluation	(4,829)	–	(4,829)	1,689	(3,318)
Fair value at end of period/year	**30,930**	**–**	**30,930**	**41,451**	**21,928**

Fair value of listed securities at end of the period/year	30,930	36,993	21,928
Fair value of unlisted securities at end of the period/year	–	4,458	–

Equity investments are held as direct equity holdings or as participatory notes. Surplus cash in Indian Rupees may be invested in readily realisable debt mutual funds.

6. Taxation

Guernsey

India Capital Growth Fund Limited is exempt from taxation in Guernsey. In connection with granting such an exemption, the Company pays an annual fee of £600 to the States of Guernsey Income Tax Department.

Mauritius

ICG Q Limited is centrally managed and controlled from Mauritius and is hence tax resident in Mauritius. The company invests in India and the Directors expect to obtain benefits under the double taxation treaty between Mauritius and India. To obtain benefits under the double taxation treaty, they must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The company has obtained a tax residence certification from the Mauritian authorities and believe such certification is determinative of its resident status for treaty purposes.

ICG Q Limited is subject to income tax in Mauritius on net income which excludes realised and unrealised capital gains and related expenditure at 15 per cent (30.06.11: 15 per cent). However, the company is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80 per cent of the Mauritius tax on foreign source income.

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.

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.

7. Receivables

	Unaudited 30.06.12 Total £000	Unaudited 30.06.11 Total £000	Audited 31.12.11 Total £000
Sales of investments awaiting settlement	165	767	–
Dividend receivable	95	125	–
Other receivables and prepayments	34	35	34
	294	927	34

8. Payables

	Unaudited 30.06.12 Total £000	Unaudited 30.06.11 Total £000	Audited 31.12.11 Total £000
Purchases of investments awaiting settlement	–	1,160	–
Management fee	41	55	38
Other creditors	89	94	92
	130	1,309	130

9. Segmental information

The Board has considered the provisions of IFRS 8 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. Assessment of performance by the Board and investment decisions by the Investment Manager are made on the basis of the portfolio as a whole.

10. Share capital

Authorised Share Capital	**£000**
Unlimited number of Ordinary Shares of £0.01 each	-

Issued Share Capital	**Number of shares**	**Share capital £000**
Ordinary Shares of £0.01 each	75,001,463	750
At 30 June 2012		
At 31 December 2011	75,001,463	750

The Company's capital is represented by Ordinary Shares of par value £0.01, 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.

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 Cayzer-Colvin is a non-executive director of the Investment Manager, Ocean Dial Asset Management Limited, and also an employee and Director of Caledonia Investments Plc and a non-executive director of Cayzer Trust Company Limited.

Directors' fees are disclosed fully in each Annual Report. The fee payable to the Chairman was £25,000 per annum and £15,000 per annum to each other Director. Director fees were revised with effect from 1 January 2012 to; £25,000 per annum for the Chairman, £19,000 per annum for the Chairman of the Audit Committee and £16,000 per annum to each other Director, except for Mr Vikram Kaushik who is entitled to £18,000 per annum.

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 earned £254,000 in management fees during the six months ended 30 June 2012 (six months ended 30.06.11: £333,000) of which £41,000 was outstanding at 30 June 2012 (31.12.11: £38,000).

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. of 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"). At 30 June 2012, the High Water Mark was 267.85 pence per Share.

11. Related party transactions (continued)

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 per cent. 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 2012 (30.06.11: £Nil).

Under the terms of the Administration and Secretarial Agreement, Northern Trust International Fund Administration Services (Guernsey) Limited 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. The Administrator earned £51,000 for administration and secretarial services during the six months ended 30 June 2012 (30.06.11: £60,000) of which £19,000 was outstanding at 30 June 2012 (31.12.11: £19,000).

12. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2012 (31.12.11: Nil).

13. Subsequent events

These financial statement were approved for issuance by the Board on 12 September 2012. Subsequent events have been evaluated until this date.

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

India
Capital Growth Fund

Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

www.indiacapitalgrowth.com