India
Capital Growth Fund

Interim report and unaudited financial statements

For the period from 1 January 2018 to 30 June 2018

Contents

Management and administration

Directors

Elisabeth Scott (Chairman)
Peter Niven
John Whittle

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Le Bordage
St Peter Port
Guernsey GY1 1DB

Investment manager

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

Administrator and Secretary

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Custodian

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Broker

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Registrar

Neville Registrars Limited
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Steelpark Road
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Birmingham B62 8HD

Independent auditor

Deloitte LLP
Regency Court
Glategny Esplanade
Guernsey GY1 3HW

Chairman's statement

Performance

Following a year of strong investment returns, the first six months of 2018 have seen a retrenchment of the Indian equity market. Over the period, the Company's Net Asset Value (NAV) has fallen by 14.9% and the share price by 24.0% as the discount widened out to 18% from 8% at the last year end. The Company's NAV outperformed its benchmark index, the BSE Mid Cap Index Total Return (£ adjusted), which declined by 16.8% over the period as mid and small cap stocks gave up some of the gains they had seen in 2017. Alongside the restoration of more normal valuations for Indian mid and small cap stocks, investors in the Indian equity market have been concerned by the gradual recovery in international oil prices over the last twelve months which may result in the weakening of the Indian economy, widening the current account, raising inflation and forcing the currency lower. In tandem, the sentiment for Emerging Market assets waned quite suddenly as markets took account of rising US bond yields, a stronger US Dollar and increasing concerns of an impending trade war.

Investor Relations and Building Awareness

In spite of a trying first half, the strategic direction of the Company is unchanged, putting in place efforts to ensure that future share price movements become more closely aligned with NAV performance. To achieve this objective, the Board believes that it is important to continue to build investors' awareness of the long-term opportunity that exists in mid and small cap Indian listed equities. We wish to do this whilst highlighting not only India Capital Growth Fund's unique ability to take advantage of this opportunity, but also the long-term track record that the Investment Manager has generated for the Company to date. In this way we expect that over time the discount of the share price to NAV will narrow, ideally on a consistent basis.

We are pursuing this objective in a number of ways. In April the Board announced the appointment of Frostrow Capital to lead the marketing effort for the Company, working closely with Ocean Dial, the Investment Manager, and Stockdale Securities, the Company's Broker. Frostrow Capital has an excellent track record of working with a number of highly respected investment companies in specialised areas with notable success. The marketing effort is UK wide, but with a specific focus on Wealth Managers and IFAs based outside of London. The relationship has got off to a very positive start with 33 meetings completed in 11 cities to date, in addition to several well attended group meetings with investors in London. The Board anticipates this momentum will continue, in the expectation that when investment appetite for India perks up once more, India Capital Growth Fund will be front of mind for investors seeking exposure to India.

In support of this, and in conjunction with Ocean Dial, the Board appointed Maitland PR to act as the Public Relations adviser to the Company. Again, the Board is pleased by the energy and enthusiasm that the Maitland PR team has demonstrated since their appointment in March, which is translating into higher levels of coverage in both trade and national media. As India becomes more relevant in an economic framework globally, its own share of press coverage will inevitably grow.

As I write, the Company's website, which has long been due an overhaul, is undergoing a major upgrade and I am looking forward to the imminent relaunch. It will contain more accessible information on the Company, with a friendlier user interface, as well as regular updates from the Ocean Dial's investment team on the ground in Mumbai, in both written and video format. It will also contain a library of articles and reviews of major reforms and regulatory changes that have taken place since Prime Minister Modi was elected in 2014. I would urge readers of this report to study this themselves.

In early May I visited Mumbai and Delhi. The trip enabled me to form my own impressions of the market opportunity, to meet some of the portfolio's investee companies and to spend more time with the investment team on the ground. In spite of it being somewhat "whistle stop", it was an excellent and informative journey. Alongside Ocean Dial, and their new owners Avendus Capital, I met with a broad range of listed companies, business leaders, journalists and sell side analysts. I came away reassured that far reaching change is underway in India on multiple fronts, and that the portfolio is well positioned to capture the multi-year opportunity that India offers. As always there will be bumps along the way, but I have no doubt that India provides an increasingly compelling investment opportunity over the longer term.

Outlook

The second half of the year may yet prove to be as equally challenging as the first. India's ruling political party, the Narendra Modi led BJP, will fight a re-election battle in the early part of 2019. It is probable that the market will take its lead – at least in the months leading up to that vote – from the perceived outcome, and India's elections are notoriously hard to predict. In this election 123m voters are expected to poll for the first time*, making their support hard to call and critical to the outcome. In addition, the extent and timing of further interest rate tightening across the world (including India) will continue to dictate the sentiment for equities, particularly in Emerging Markets.

Despite these near-term worries, I remain confident that the opportunity to make compelling investment returns over the long term is very much intact. As highlighted in the Investment Manager's report, underlying corporate earnings are recovering from a prolonged period of sub-par growth. This slowdown was largely caused by the reform-based initiatives which have been introduced by the BJP since 2014. Regulation such as the introduction of the Goods and Services Tax (GST), the Banking and Insolvency Act, and the Real Estate Regulation Act amongst others, have had a dampening effect on growth initially, but as they "bed in", this stronger, more effective legislation is paving the way for a renewed investment cycle and a period of high and sustainable growth. The Board is reassured by the Investment Manager's confidence that investment in India's mid and small cap stocks, supported by the closed ended structure that the Company offers, is the right way to manage both the risks and the rewards.

Elisabeth Scott I Chairman
4 September 2018

*based on UN data for population

Investment manager's report

In the six months to June 2018, the Net Asset Value (NAV) per share was down 14.9%, outperforming the notional benchmark (BSE Mid Cap TR Index) by 1.9%. In Indian Rupee (INR) terms the NAV per share was down 11.1%. The period witnessed a wide divergence in performance between the large cap and mid cap stocks, which is best reflected in the performance of the NSE Nifty 50 Index, which was up 1.7% in INR terms.

The above fall should be viewed against the backdrop of the performance in 2017, with the Fund's notional benchmark increasing 45.3% and the Company's NAV increasing 42.3%. This was despite earnings growth for FY18 for the broader market estimated at about 12%. We highlighted our concern on valuations in our previous year end investment manager's report, given the steep run-up in stock prices which were not supported by earnings. Though we had anticipated more of a correction in the markets, we believe there are four reasons behind this year's sharp fall in the share prices of Indian mid cap companies:

Firstly, a sell off across Emerging Markets driven by concerns of international trade wars. India was no exception with net Foreign Institutional Investor (FII) outflow of US$621m in the period. The flows were however volatile with the April to June quarter witnessing a net outflow of US$2.7bn. Rising interest rates in the US have added fuel to the fire, as US Treasuries provide a safe home for US Dollar money. The US economy is doing exceedingly well on all fronts because of various factors such as tax cuts and fiscal expansion. This is also evident in the significantly lower unemployment rate of 3.9% in the US, compared to the historical trends. The US Fed may continue to hike rates to keep the US economy in control which may lead to more money moving back from India to the US. Domestic Mutual Funds however continued to be net buyers, with net inflows of US$9.5bn in the period. This, to a large extent, mitigated the impact on the Indian equity market leading to it being one of the better performers among Emerging Markets. In fact, the share of the domestic Mutual Fund investors in the BSE 500 Index has increased to a high of 13.7%, while that of FIIs has come down marginally to 20.7%.

Secondly, the rise in oil prices. India still imports almost 80% of its oil requirement and the period 2014-2017 had been a windfall for the economy. India enjoyed its best ever macroeconomics during this period with the current account deficit, fiscal deficit and inflation all showing a downward trend. This gave the Government the leeway to carry out the sort of reforms we have witnessed in the last three years. However, with oil at over US$70 a barrel, this phase is behind us. Inflation is back to 5% levels from a low of 2% and the Reserve Bank of India has raised rates by 50bps over the last two policy meetings. The currency has also depreciated by 7.2% against the US Dollar in the past six months. Though the macroeconomics are still within a comfort zone, the trend has turned negative.

Thirdly, regulatory developments have affected sentiment. A few notable developments were:

- SEBI, the market regulator, in order to curb speculative activity in certain stocks, came out with two regulations; (a) in the derivatives segment (currently 209 stocks), they have introduced physical settlement as opposed to cash settlements for certain stocks which do not meet a pre-determined criteria; and (b) SEBI announced a list of 109 stocks, which now fall under a new mechanism called Additional Surveillance Measure (ASM), whereby the stock exchanges put these stocks under a 5% upper and lower price restriction and a 100% margin payment. This has led to a sharp fall in liquidity in mid-cap stocks. Even stocks which are not in the above list have fallen for fear that they too may be included.

- There is also increased scrutiny by both SEBI and RBI on audit firms. This follows a spate of financial frauds and the banning of one of the Big Four audit firms for two years. There is also a new regulation making it mandatory for companies to change their audit firm after two terms of five years each leading to over 30 cases of auditors resigning from mid-cap companies, without giving any reasons. This has led to fear among the investment community that there have been some wrongdoings in certain companies which has added to the negative market sentiment.

Finally, with the next General Election scheduled in May 2019, the Modi Government's invincibility is being questioned. The trigger has been the recent Legislative Assembly Election in the state of Karnataka. Though Modi's BJP party emerged as the single largest party, winning 104 of the 224 seats, it failed to form the Government. This is because the opposition parties formed an alliance

India Capital Growth Fund

to simply keep the BJP out of Government. Hence the Janta Dal (S) Party, which won a mere 37 seats has formed the Government in alliance with the Congress and appointed its Chief Minister. With similar alliances being talked of at the national level, the worry is that it may force the BJP to announce populist measures ahead of the General Election. One such measure already announced is the raising of Minimum Support Prices (MSP) (the minimum price at which the Government buys back agricultural produce from farmers) for the Kharif crops by a sharp 15-17% ahead of the season.

While the above has affected sentiment, the good news is that the disruption caused to economic activity because of the regulatory changes implemented in 2017 and early 2018 such as demonetisation, the Goods & Services Tax, the Real Estate Regulation Act and the Bankruptcy Code is well and truly behind. GDP growth, which after falling to a low of 6.7% for the quarter ended December 2017, bounced back to 7.4% for the quarter ended March 2018. FY19 GDP growth is projected at 7.6-7.7% and it is widely expected that India's GDP growth will sustain at 7-8% for the next few years in light of the structural reforms carried out over the past three years.

Most of the microeconomic indicators are also reflecting a revival in demand. Cement, automobile and airline tickets sales are all witnessing strong double-digit growth. Even credit growth has picked up to about 13%, from sub 10% a few months ago. Corporate results being announced for the quarter ended June 2018 also reflect this healthy revenue growth. More importantly, there is high degree of optimism when it comes to management commentary on the outlook. Of particular significance is the bounce back in growth in the rural economy, which is likely to accelerate further as the country is heading towards a third successive good monsoon. The MSP increase announced by the Government will further boost rural growth. Even in the Banking Sector, the stress in the system appears to have peaked and incremental slippages from non-restructured accounts has come down.

Going forward, we expect a period of strong earnings growth for the economy and corporate India, even amidst signs of weakening macroeconomics. This is the exact reverse of the trend we witnessed during the period 2014-2017.

One cannot end without a brief overview of the valuation of Indian listed stocks. The large cap index (BSE Sensex) trades at 16.7x FY20 earnings compared with a historical average of 14x. The BSE Mid Cap index trades at 18.2x FY20 earnings, with the portfolio trading at 14.7x FY20 earnings. Most mid-cap stock prices have now corrected about 20-25% from their peak levels in the first half of 2018, so we feel the portfolio is well positioned to benefit from improvements in corporate earnings and market sentiment of mid-cap stocks.

Portfolio construction and attribution

We continued to hold most existing investments in the first half with only one stock exited. We did however use the volatility in the market to trim or add exposure in several stocks to take advantage of price movements.

During the period the stock exited was Good Luck India, a small sized steel processor that converts basic steel to value-added products for auto OEMs as well as infrastructure, engineering and oil and gas businesses.

Many stocks in the portfolio contributed positive returns, including NIIT Technologies (4.0% weight) up 70.2%, Tech Mahindra (3.9% weight) up 30.0%, Radico Khaitan (2.9% weight) up 40.8%, Jyothy Laboratories (4.5% weight) up 22.8% and Dewan Housing Finance (5.2% weight) up 9.9%.

Among the negative contributors were Manpasand Beverages (0.8% weight) down 66%, Skipper (2.2% weight) down 39.5%, Motherson Sumi Systems (3.8% weight) down 24.9% and Kajaria Ceramics (2.6% weight) down 33.7%.

Our outperformance stemmed mainly from stock selection in Information Technology and Financials and being underweight in Utilities and Energy, while we were negatively impacted due to stock selection in Materials, Consumer Discretionary, Real Estate, Industrials and Consumer Staples.

Ocean Dial Asset Management
4 September 2018

Directors' report

The Directors present their interim report and the unaudited financial statements of the Company for the period from 1 January 2018 to 30 June 2018.

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

Investment policy

The Company's investment objective is to provide long-term capital appreciation by investing (indirectly) in companies based in India. The investment policy permits the Company to make indirect 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 Company has the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of securities. The Company may, for the purposes of hedging, use derivative instruments such as financial futures, options and warrants. The Company may, from time to time, use borrowings to provide short-term liquidity and, if the Directors deem it prudent, for longer term purposes. The Directors intend to restrict borrowings on a longer term basis to a maximum amount equal to 25% of the net assets of the Company at the time of the drawdown. It is the Company's declared policy not to hedge the exposure to the Indian Rupee.

The Directors confirm the investment policy of the Company has been complied with throughout the period ended 30 June 2018.

Results and dividends

The Company's performance during the period is detailed in the Investment Manager's Report on pages 4 to 5.

The results for the period are set out in the unaudited condensed statement of comprehensive income on page 13.

Consistent with the Company's investment policy of providing long term capital appreciation, the Directors do not recommend the payment of a dividend for the period ended 30 June 2018 (30 June 2017 and 31 December 2017: £ nil).

Ongoing charges

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the Ongoing Charges of the Company and its wholly owned subsidiary, ICG Q Limited, for the period ended 30 June 2018 was 1.90% (30 June 2017: 1.83% and 31 December 2017: 1.87%).

Substantial interests

Shareholders who held an interest of 3% or more of the ordinary share capital of the Company at 30 June 2018 are stated below:

	NUMBER OF SHARES	% HOLDING
Lazard Asset Management	15,399,047	13.7
Hargreaves Lansdown	14,617,506	13.0
Miton Asset Management	6,911,000	6.1
Charles Stanley	6,587,665	5.9
EFG Harris Allday	6,322,298	5.6
Interactive Investor	5,391,976	4.8
Rathbones	4,472,007	4.0
AJ Bell	3,863,093	3.4
Smith & Williamson	3,549,602	3.2

Directors

The names of the Directors of the Company, all of whom were in office for the entire period and to the date of this report, are set out on page 1.

Directors' interests

At 30 June 2018, Directors and their immediate families held the following declarable interests in the Company:

	ORDINARY SHARES 30.06.18	ORDINARY SHARES 30.06.17	SUBSCRIPTION SHARES 31.12.17
Elisabeth Scott	10,000	-	-
Peter Niven	37,500	37,500	37,500
John Whittle	30,000	30,000	30,000

Approved by the Board of Directors and signed on behalf of the Board on 4 September 2018.

Peter Niven

John Whittle

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the half-yearly financial report and Unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting; and
- the half-yearly financial report and Unaudited Condensed Interim Financial Statements (including the Investment Manager's Report) meet the requirements of an interim management report and include a fair review of the information required by:
  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board by:

Peter Niven

John Whittle

4 September 2018

Independent interim review report of the auditor

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed statement of comprehensive income, the condensed statement of financial position, the condensed statement of changes in equity, the condensed statement of cash flow and related notes 1 to 14. 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 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly 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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
St Peter Port, Guernsey
4 September 2018

Principal investments of ICG Q Limited

As at 30 June 2018

HOLDING	MARKET CAP SIZE	SECTOR	VALUE £000s	% OF COMPANY NAV
Dewan Housing Finance	M	Financials	6,380	5.2%
Jyothy Laboratories	S	Consumer Staples	5,445	4.5%
Ramkrishna Forgings	S	Materials	4,926	4.1%
NIIT Technologies	S	IT	4,883	4.0%
Tech Mahindra	L	IT	4,738	3.9%
Motherson Sumi Systems	L	Consumer Discretionary	4,681	3.8%
Federal Bank	M	Financials	4,551	3.7%
City Union Bank	S	Financials	4,251	3.5%
Indusind Bank	L	Financials	4,082	3.4%
Radico Khaitan	S	Consumer Staples	3,553	2.9%
Balkrishna Industries	M	Consumer Discretionary	3,521	2.9%
Exide Industries	M	Consumer Discretionary	3,491	2.9%
Kajaria Ceramics	S	Industrials	3,216	2.6%
Finolex Cables	S	Industrials	3,195	2.6%
Berger Paints India	M	Materials	3,062	2.5%
Welspun India	S	Consumer Discretionary	3,011	2.5%
Sobha Developers	S	Real Estate	2,993	2.5%
Sagar Cements	S	Materials	2,947	2.4%
Indian Bank	M	Financials	2,883	2.4%
Capital First	S	Financials	2,873	2.4%
Total top 20 equity investments			**78,682**	**64.7%**

Refer to page 12 for market capitalisation size definitions.

India Capital Growth Fund

Portfolio statement of ICG Q Limited

As at 30 June 2018

HOLDING	MARKET CAP SIZE	SHARES OWNED	VALUE £000s	% OF COMPANY NAV
Listed securities				
Consumer discretionary				
Balkrishna Industries	M	304,000	3,521	2.9%
BLS International Services	S	1,000,000	1,760	1.4%
Dish TV India	S	3,000,000	2,395	2.0%
Exide Industries	M	1,215,336	3,491	2.9%
Kitex Garments	S	700,000	1,150	0.9%
Matrimony.com	S	172,608	1,414	1.2%
Motherson Sumi Systems	L	1,478,740	4,681	3.8%
Welspun India	S	5,000,000	3,011	2.5%
			21,423	**17.6%**
Consumer staples				
Emami	M	390,000	2,295	1.9%
Jyothy Laboratories	S	2,086,710	5,445	4.5%
Manpasand Beverages	S	600,000	992	0.8%
Radico Khaitan	S	772,000	3,553	2.9%
			12,285	**10.1%**
Financials				
Capital First	S	500,000	2,873	2.4%
City Union Bank	S	2,070,000	4,251	3.5%
Dewan Housing Finance	M	900,000	6,380	5.2%
Federal Bank	M	5,000,000	4,551	3.7%
Indian Bank	M	754,400	2,883	2.4%
Indusind Bank	L	190,000	4,082	3.4%
Jammu & Kashmir Bank	S	3,323,328	1,870	1.5%
Yes Bank	L	700,000	2,644	2.2%
			29,534	**24.3%**
Healthcare				
Divi's Laboratories	M	245,100	2,831	2.3%
Neuland Laboratories	L	148,000	1,054	0.9%
			3,885	**3.2%**

Portfolio statement of ICG Q Limited (continued)

As at 30 June 2018

HOLDING	MARKET CAP SIZE	SHARES OWNED	VALUE £000s	% OF COMPANY NAV
Industrials				
Finolex Cables	S	494,083	3,195	2.6%
Jain Irrigation Systems	S	2,190,000	1,870	1.6%
Kajaria Ceramics	S	598,084	3,216	2.6%
PSP Projects	S	373,875	2,042	1.7%
			10,323	**8.5%**
IT				
NIIT Technologies	S	400,000	4,883	4.0%
Tech Mahindra	L	650,000	4,738	3.9%
			9,621	**7.9%**
Materials				
Berger Paints India	M	980,000	3,062	2.5%
Essel Propack	S	1,796,520	2,364	1.9%
JK Lakshmi Cement	S	504,239	1,739	1.4%
PI Industries	S	340,000	2,847	2.3%
Ramkrishna Forgings	S	661,230	4,926	4.1%
Sagar Cements	S	330,000	2,947	2.4%
Skipper	S	1,453,000	2,643	2.2%
The Ramco Cements	M	320,000	2,499	2.1%
			23,027	**18.9%**
Real estate				
Arihant Foundations & Housing	S	592,400	238	0.2%
Sobha Developers	S	610,000	2,993	2.5%
			3,231	**2.7%**
Total equity investments			**113,329**	**93.2%**
Cash less other net current liabilities of ICG Q Limited			8,289	6.8%
Total net assets of ICG Q Limited			**121,618**	**100.0%**
Cash less other net current liabilities of the Company			(16)	-
Total net assets			**121,602**	**100.0%**

Market capitalisation in size definitions:	
Large Cap: companies with a market capitalisation above US$7bn	14.1%
Mid Cap: companies with a market capitalisation between US$2bn and US$7bn	25.9%
Small Cap: companies with a market capitalisation below US$2bn	53.2%
	93.2%

Unaudited condensed statement of comprehensive income

For the six months to 30 June 2018

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED SIX MONTHS TO 30.06.18 TOTAL £000	UNAUDITED SIX MONTHS TO 30.06.17 TOTAL £000	AUDITED YEAR TO 31.12.17 TOTAL £000
Income						
Net (loss)/gain on financial asset at fair value through profit or loss	5	-	(20,931)	(20,931)	24,125	43,257
Total income		**-**	**(20,931)**	**(20,931)**	**24,125**	43,257
Expenses						
Operating expenses	3	(243)	-	(243)	(171)	(378)
LSE Main Market listing expenses		(155)	-	(155)	-	(424)
Foreign exchange loss		-	-	-	(1)	-
Investment management fee		-	-	-	-	(2)
Total expenses		**(398)**	**-**	**(398)**	**(172)**	(804)
(Loss)/profit for the period/year before taxation		**(398)**	**(20,931)**	**(21,329)**	**23,953**	42,453
Taxation	6	**-**	**-**	**-**	**-**	-
(Loss)/profit for the period/year after taxation		**(398)**	**(20,931)**	**(21,329)**	**23,953**	42,453
(Loss)/earnings per Ordinary Share (pence)	4			**(18.96)**	**21.29**	37.73
Fully diluted (loss)/earnings per Ordinary Share (pence)	4			**(18.96)**	**21.29**	37.73

The total column of this statement represents the Company's condensed 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 and all the items in the above statement derive from continuing operations.

The notes on pages 17 to 24 form part of these financial statements.

Unaudited condensed statement of financial position

As at 30 June 2018

	NOTES	UNAUDITED 30.06.18 £000	UNAUDITED 30.06.17 £000	AUDITED 31.12.17 £000
Non-current assets				
Financial asset designated at fair value through profit or loss	5	121,615	124,249	143,131
Current assets				
Cash and cash equivalents		45	220	76
Other receivables and prepayments		179	170	189
		224	390	265
Current liabilities				
Payables	7	(237)	(208)	(465)
Net current (liabilities)/assets		(13)	182	(200)
Total assets less current liabilities		**121,602**	**124,431**	**142,931**
Equity				
Ordinary share capital	9	1,125	1,125	1,125
Reserves		120,477	123,306	141,806
Total equity		**121,602**	**124,431**	**142,931**
Number of Ordinary Shares in issue	9	112,502,173	112,502,173	112,502,173
Net Asset Value per Ordinary Share (pence) – Undiluted		**108.09**	**110.60**	**127.05**
Net Asset Value per Ordinary Share (pence) – Diluted		**108.09**	**110.60**	**127.05**

The unaudited financial statements on pages 13 to 24 were approved by the Board of Directors on 4 September 2018 and signed on its behalf by:

Peter Niven **John Whittle**

The notes on pages 17 to 24 form part of these financial statements.

Unaudited condensed statement of changes in equity

For the six months to 30 June 2018 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2018		1,125	56,402	(9,946)	95,350	142,931
Loss on investment in ICG Q Limited	5	-	(20,931)	-	-	(20,931)
Revenue loss for the period after taxation		-	-	(398)	-	(398)
Balance as at 30 June 2018		1,125	35,471	(10,344)	95,350	121,602

For the six months to 30 June 2017 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2017		1,125	13,145	(9,142)	95,350	100,478
Gain on investment in ICG Q Limited	5	-	24,125	-	-	24,125
Revenue loss for the period after taxation		-	-	(172)	-	(172)
Balance as at 30 June 2017		1,125	37,270	(9,314)	95,350	124,431

For the year ended 31 December 2017 (audited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2017		1,125	13,145	(9,142)	95,350	100,478
Gain on investment in ICG Q Limited	5	-	43,257	-	-	43,257
Revenue loss for the year after taxation		-	-	(804)	-	(804)
Balance as at 31 December 2017		1,125	56,402	(9,946)	95,350	142,931

The notes on pages 17 to 24 form part of these financial statements.

Unaudited condensed statement of cash flows

For the six months to 30 June 2018

	UNAUDITED 30.06.18 £000	UNAUDITED 30.06.17 £000	AUDITED 31.12.17 £000
Cash flows from operating activities			
Operating (loss)/profit	(21,329)	23,953	42,453
Adjustment for:			
Net (loss)/gain on financial asset at fair value through profit or loss	20,931	(24,125)	(43,257)
Foreign exchange losses	-	1	-
Operating loss before working capital changes	(398)	(171)	(804)
Working capital changes			
Decrease/(increase) in receivables	10	(31)	(50)
(Decrease)/increase in payables	(228)	29	286
Cash flow used in operating activities	(616)	(173)	(568)
Cash flows from financing activities			
Partial redemption of investment in ICG Q Limited	585	250	500
Net (decrease)/increase in cash and cash equivalents during the period/year	**(31)**	**77**	**(68)**
Cash and cash equivalents at the start of the period/year	76	144	144
Foreign exchange losses	-	(1)	-
Cash and cash equivalents at the end of the period/year	**45**	**220**	**76**

The notes on pages 17 to 24 form part of these financial statements.

Notes to the unaudited financial statements

For the six months to 30 June 2018

1. Accounting policies

The condensed financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and, except as described below, the accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2017.

The condensed financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2017, which were prepared under full IFRS requirements.

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

Standards, interpretations and amendments to published statements not yet effective

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

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

The Company has applied IFRS 9 and IFRS 15 as from 1 January 2018. There has been no significant impact upon adoption of IFRS 9 and IFRS 15 due to the nature and classification of the financial instruments held and the nature of revenue derived by the Company.

2. Significant accounting judgements, estimates and assumptions

IFRS require management to make judgments, estimates and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The main use of accounting estimates and assumptions occurs in the calculation of the sensitivity. In relation to the valuation of unlisted investment, actual results may differ from the estimates. It is management's judgement that the Net Asset Value (NAV) of ICG Q Limited is an appropriate proxy for fair value as the Company can control the sale of the subsidiary's investments which are all listed on stock exchange in India and therefore mostly regarded as highly liquid.

For the six months to 30 June 2018

3. Operating expenses

	Unaudited Six months to 30.06.18 £000	Unaudited Six months to 30.06.17 £000	Audited Year to 31.12.17 £000
Administration and secretarial fees	26	20	46
Audit fee	7	13	39
Broker fee	16	18	20
Directors' fees	44	35	70
D&O insurance	3	2	5
General expenses	36	28	75
Legal and professional fees	40	4	17
Marketing expenses	58	32	62
Nomad fee	-	10	21
Registrar fee	3	2	6
Regulatory fees	10	7	17
	243	**171**	**378**

4. Earnings per share

The earnings and fully diluted earnings per Ordinary Share is calculated on the loss for the period of £21,329,000 (30 June 2017: profit of £23,953,000 and 31 December 2017: profit of £42,453,000) divided by the weighted average number of Ordinary Shares of 112,502,173 (30 June 2017: 112,502,173 and 31 December 2017: 112,502,173).

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

	Unlisted securities £000	Unaudited Six months to 30.06.18 Total £000	Unaudited Six months to 30.06.17 Total £000	Audited Year to 31.12.17 Total £000
Fair value at beginning of period/year	143,131	143,131	100,374	100,374
Sales proceeds	(585)	(585)	(250)	(500)
Realised gain on sale of investments	410	410	164	328
Unrealised (loss)/gain on revaluation	(21,341)	(21,341)	23,961	42,929
Fair value at end of period/year	**121,615**	**121,615**	**124,249**	**143,131**

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

The net realised and unrealised losses on financial assets designated at fair value through profit and loss for the period was £20,931,000 (period ended 30 June 2017: gains of £24,125,000 and 31 December 2017: gains of £43,257,000) which came from the Company's holding in ICG Q Limited. The movement is driven by the following amounts within the financial statements of ICG Q Limited, as set out below:

	Unaudited Six months to 30.06.18 Total £000	Unaudited Six months to 30.06.17 Total £000	Audited Year to 31.12.17 Total £000
Dividend income	199	149	933
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(25,967)	19,887	32,810
Realised gain on disposal of investments	5,842	5,063	11,599
Investment management fee	(951)	(897)	(1,905)
Operating expenses	(38)	(38)	(78)
Taxes	(6)	-	(23)
Transaction costs	(29)	(36)	(79)
Foreign exchange gain/(loss)	19	(3)	-
Net (loss)/gain of ICG Q Limited	**(20,931)**	**24,125**	**43,257**

As described in the statutory accounts of the Company for the year ended 31 December 2017, the Company qualifies as an investment entity under IFRS 10. It therefore does not consolidate its investment in ICG Q Limited.

6. Taxation

Guernsey
India Capital Growth Fund Limited is exempt from taxation in Guernsey. The Company is exempt under The Income Tax (External Bodies) (Guernsey) Ordinance 1989 (as amended) and paid the annual exemption fee of £1,200. For the period ended 30 June 2018, the Company had a tax liability of £nil (30 June 2017 and 31 December 2017: £nil).

7. Payables

	Unaudited 30.06.18 Total £000	Unaudited 30.06.17 Total £000	Audited 31.12.17 Total £000
Management fees	150	154	198
Other creditors	87	54	267
	237	**208**	**465**

Notes to the unaudited financial statements (continued)

For the six months to 30 June 2018

8. Segmental information

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Company's activities form a single segment under the standard. From a geographical perspective, the Company's activities are focused in a single area - Mauritius. The subsidiary, ICG Q Limited, focuses its investment activities in listed securities in India. Additional disclosures have been provided in this Annual Report to disclose the underlying information. Assessment of performance by the Board and investment decisions by the Investment Manager are made on the basis of the portfolio as a whole which is provided on pages 11 and 12.

9. Share capital

Ordinary Share Capital of £0.01 each

	Number of shares	Share capital £000
At 30 June 2018	112,502,173	1,125
At 30 June 2017	112,502,173	1,125
At 31 December 2017	112,502,173	1,125

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

10. Related party transactions

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

The Directors are responsible for the determination of the investment policy and have overall responsibility for the Company's activities. Directors' fees are disclosed fully in each Annual Report. The fee payable to the Chairman is £35,000 per annum, to Peter Niven is £25,000 per annum and to John Whittle is £28,000 per annum.

The Investment Manager is entitled to receive a management fee payable jointly by the Company and its subsidiary equivalent to 1.5% per annum of Total Assets, calculated and payable monthly in arrears. The Investment Manager earned £951,000 in management fees during the six months ended 30 June 2018 (six months ended 30 June 2017: £897,000 and year ended 31 December 2017: £1,907,000) of which £150,000 was outstanding at 30 June 2018 (30 June 2017: £154,000 and 31 December 2017: £191,000).

Under the terms of the Administration Agreement, Apex Fund Services (Guernsey) Limited is entitled to a minimum annual fee of US$41,000 or a flat fee of 5 basis points of the NAV of the Company, whichever is greater. The Administrator is also entitled to reimbursement of all out of pocket expenses. The Administrator earned £26,000 for administration and secretarial services during the six months ended 30 June 2018 (six months ended 30 June 2017: £20,000 and year ended 31 December 2017: £47,000) of which £12,000 was outstanding at 30 June 2018 (30 June 2017: £3,200 and 31 December 2017: £3,400).

11. Fair value of financial instruments

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

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The analysis as at 30 June 2018 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unlisted securities	-	121,615	-	121,615
	-	**121,615**	**-**	**121,615**

The analysis as at 30 June 2017 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unlisted securities	-	124,249	-	124,249
	-	**124,249**	**-**	**124,249**

The analysis as at 31 December 2017 was as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unlisted securities	-	143,131	-	143,131
	-	**143,141**	**-**	**143,141**

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

12. Financial instruments and risk profile

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. Subject to the Guernsey Companies Law, the Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to seek shareholder approval for the exercise of such powers. In the period ended 30 June 2018, the Board determined that it was inappropriate to exercise such powers but will seek such shareholder approval at the 2019 Annual General Meeting.

The Board also considers from time to time whether it may be appropriate to raise new capital to improve liquidity and reduce operating expenses as a percentage of Net Asset Value but has no plans to do so at this current time.

Investment portfolio management

The Company holds a single investment in ICG Q Limited, which holds an underlying portfolio of 38 equity instruments based in India.

The primary objective of the Company is to provide long-term capital appreciation by investing predominantly in companies based in India through its subsidiary, ICG Q Limited. The investment policy permits making investments in a range of equity and equity linked securities of such companies. ICG Q Limited's portfolio of investments is predominantly in listed mid and small cap Indian companies and it did not hold any unlisted security during the period ended 30 June 2018. While the principal focus is on investments in listed equity securities or equity-linked securities, ICG Q Limited has the flexibility to invest in bonds, convertibles and other type of securities.

Below is an assessment of the key risks the Company may be exposed to via ICG Q Limited and the Company's policies for managing those risks, most of which manifest themselves in ICG Q Limited, as highlighted below:

Market price risk

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

ICG Q Limited's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies and in adherence to the investment guidelines and the investment and borrowing powers set out in the Admission Document. ICG Q Limited's investment portfolio is concentrated and, as at 30 June 2018, comprised investment in 38 companies. ICG Q Limited thus has higher exposure to market risk in relation to individual stocks than more broadly spread portfolios.

ICG Q Limited's portfolio consists mainly of mid and small cap listed Indian securities, and thus the effect of market movements is not closely correlated with the principal market index, the BSE Sensex. The BSE Mid Cap Index provides a better (but not ideal) indicator of the effect of market price risk on the portfolio.

Assuming perfect correlation the sensitivity of ICG Q Limited to market price risk can be approximated by applying the percentage of funds invested (30 June 2018: 93.20%; 30 June 2017: 97.0%; 31 December 2017: 97.4%) to any movement in the BSE Mid Cap Index. At 30 June 2018, with all other variables held constant, this approximation would produce a movement in the net assets of ICG Q Limited of £11,333,000 (30 June 2017: £12,064,000 and 31 December 2017: £13,916,000) for a 10% (30 June 2017 and 31 December 2017:10%) movement in the index which would impact the Company via a fair value movement of the same magnitude in its holding in ICG Q Limited.

12. Financial instruments and risk profile (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the financial instruments held by ICG Q Limited will fluctuate because of changes in foreign exchange rates. ICG Q Limited's portfolio comprises predominantly Rupee denominated investments but reporting, and in particular the reported Net Asset Value, is denominated in Sterling. Any appreciation or depreciation in the Rupee would have an impact on the performance of the Company. The underlying currency risk in relation to ICG Q Limited's investments is the Rupee. ICG Q Limited may enter into currency hedging transactions but appropriate mechanisms on acceptable terms are not expected to be readily available.

At 30 June 2018, if the Indian Rupee had strengthened or weakened by 10% (30 June 2017 and 31 December 2017: 10%) against Sterling with all other variables held constant, pre-tax profit for the year would have been £12,139,000 (30 June 2017: £12,406,000 and 31 December 2017: £14,662,000) higher or lower, respectively, mainly as a result of foreign exchange gains or losses on translation of Indian Rupee denominated financial assets designated at fair value through profit or loss in ICG Q Limited and the consequent impact on the fair value of the Company's investment in ICG Q Limited.

The Company's policy is not to hedge its Indian Rupee exposure.

Credit risk

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

The principal credit risks for the Company are in relation to deposits with banks. Kotak Mahindra Bank Limited ("Kotak-IN") acts as the principal banker to the Company. The aggregate exposure to the Kotak-IN group at 30 June 2018 was £8,063,000 (30 June 2017: £3,422,000 held with SBI-SG and 31 December 2017: £4,170,000 held with SBI-SG).

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

Interest rate risk

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

12. Financial instruments and risk profile (continued)

Liquidity risk
Liquidity risk is primarily the possibility that ICG Q Limited will encounter delays or problems in realising assets or otherwise raising funds to meet financial commitments. As the trading volume on the stock markets of India is lower than that of more developed stock exchanges, the Group may be invested in relatively illiquid securities. ICG Q Limited's focus is to invest predominantly in mid and small cap securities listed on the stock exchanges of India. Minimum liquidity criteria is applied for new purchases, however there remain holdings where there is relatively low market liquidity, which may take time to realise. The Directors do not believe that the market is inactive enough to warrant a discount for liquidity risk on ICG Q Limited's investments.

ICG Q Limited seeks to maintain sufficient cash to meet its working capital requirements.

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

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

However, with effect from April 2017, the DTAA was amended such that the advantages of investing in India via Mauritius were removed and capital gains arising from investments in Indian companies are subject to Indian Capital Gains Tax regulations. Consequently, short term capital gains (for investments held less than 12 months) of 15% and long term capital gains (for investments held for 12 months or longer) of 10% will apply to the investment portfolio from 1 April 2017 and 1 April 2018 respectively.

ICG Q Limited seeks to minimise the impact of these changes in the taxation rates applicable to its capital gains by maintaining its investment strategy of investing in a concentrated portfolio for long term capital appreciation.

13. Contingent liabilities
The Directors are not aware of any contingent liabilities as at 30 June 2018 (30 June 2017 and 31 December 2017: nil).

14. Subsequent events
These financial statements were approved for issuance by the Board on 4 September 2018. Subsequent events have been evaluated until this date and there were none after the period that required adjustments to the interim financial statements and disclosures to the notes.

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