

India Capital

GROWTH FUND

Interim report and unaudited
financial statements

2019

FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2019

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MANAGEMENT & ADMINISTRATION

DIRECTORS

Elisabeth Scott (Chairman)
Peter Niven
John Whittle

REGISTERED OFFICE

1 Royal Plaza
Royal Avenue
St. Peter Port
Guernsey GY1 2HL

INVESTMENT MANAGER

Ocean Dial Asset Management Limited
13-14 Buckingham Street
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ADMINISTRATOR AND SECRETARY

Apex Fund and Corporate Services (Guernsey) Limited
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REGISTRAR

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INDEPENDENT AUDITOR

Deloitte LLP
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CHAIRMAN'S STATEMENT

PERFORMANCE

Following a difficult year in 2018, the Indian stock market struggled to move forward in the first half of 2019. While the large company index showed a positive return, the small and mid-cap index, the BSE MidCap Total Return Index, the notional benchmark for your Company, declined 2.4% in sterling terms. The Net Asset Value of India Capital Growth Fund fell by 4.6% and the share price by 2.8%.

The Investment Manager's Report discusses in greater detail the reasons behind this. Small and mid-cap companies have continued to be hurt by the fallout from the default last year of non-bank lender IL&FS, with liquidity hard to access and the equity market treating harshly companies that fail to meet expectations.

Modi's landslide victory in the May elections was followed by a sharp rally in equities, reflecting the pro-business stance that investors believe Prime Minister Modi and the BJP party will take. However, the rally was short lived, overtaken by geopolitical concerns about international trade and domestic concerns about economic growth.

INVESTOR RELATIONS

Despite the tough headwinds faced by small and mid-cap Indian equities, there has been plenty of interest in the Company from prospective investors and the media. The Investment Manager has conducted numerous meetings across the UK and presented at three investment conferences.

In addition, the elections in India created a number of opportunities for the Investment Manager to speak to the press, both via written media and television. The Board expects that these efforts to increase the visibility of the Company will mean that the Company is firmly in the sights of investors as they begin to understand better the investment opportunities that exist in India.

BOARD VISIT TO INDIA

In March, the Board visited Ocean Dial's offices in Mumbai, where we had the opportunity to see Gaurav Narain and his team in situ and to receive presentations from the analysts. The Board felt that this was an excellent opportunity to dig into the Investment Manager's investment process and to understand the commitment that Avendus (Ocean Dial's parent company) has made to the Ocean Dial business. We met a number of investee companies in Mumbai and Delhi and met market specialists and commentators. We returned from our visit with a better understanding of some of the hurdles faced by Indian companies, but convinced that there is a huge opportunity for growth as the economy develops and that there are a number of companies in the Company's portfolio well placed to take advantage of this.

OUTLOOK

Along with the apparent slowdown in global growth, Indian companies are facing specific problems of their own, with financial and cement sector companies having experienced negative growth in FY2019. The Modi Government was elected on the promise of large infrastructure projects and these should give the economy a much needed boost. It is also expected that the Government will turn its attention to the manufacturing sector, promoting the country's exports.

As the Investment Manager's Report suggests, valuations have fallen to attractive levels, especially in the mid and small cap sectors, which have been largely ignored by large institutional investors. Offsetting this is the volatile nature of the politics in India, with concerns about India's relationship with Pakistan remaining in the headlines. Nonetheless, the Board believes that the recent weakness gives investors a timely opportunity to invest in good quality, medium and small cap companies in India.

Elisabeth Scott | Chairman

3 September 2019

INVESTMENT MANAGER'S REPORT

In the six months to June 2019, the Net Asset Value (NAV) per share was down 4.6% in Pound Sterling, underperforming the notional benchmark (BSE Mid Cap TR Index) by 2.1%. In Indian Rupee (INR) terms the NAV per share was down 5.9%. The period witnessed a wide divergence in performance between the large cap and mid cap stocks, a trend which has continued since 2018. This is best reflected in the performance of the BSE Sensex TR Index which was up 9.9% while BSE Mid Cap TR Index was down 3.7% (INR). Select large caps have performed well on the back of healthy Foreign Institutional Investors (FII) net equity inflows of US\$11bn while the correction has been more evident in the small and mid-cap equities which took the brunt of selling pressure (this could be partly explained by Domestic Institution net outflows of US\$1bn, more severe earnings cuts and lower liquidity leading to more pronounced price movements) as investors continued to seek refuge in a limited number of large caps.

The first event to discuss is the BJP's win in the general election that took place in May. Consensus expectations were that the BJP would win fewer seats than it won in 2014 but still have a workable mandate with its coalition partners. As a positive surprise, the BJP not just won an absolute majority, but actually increased its seat share. This is the first time a party has returned to power with a majority since 1971. This brought relief as it ensured policy continuity and a belief that, with key structural reforms having been passed, there is now a stable footing for an economy that is poised to see an acceleration in growth.

However, since the election results, sentiment has actually deteriorated. One of the main reasons is the slowdown in growth momentum, particularly in the consumption space. GDP growth in the March 2019 quarter slowed down to 5.8%, a significant fall from the 6.6% delivered in the December 2018 quarter. If one recalls, India's 7% GDP growth was largely being sustained by strong investments in infrastructure by the Government and strong consumption demand. The drag was from weak private sector capex investment due to overcapacity. This too was expected to improve as capacity utilisation levels had touched 78%, with interest rates coming down and a positive election result assuaging concerns over a return to policy uncertainty. However, we are witnessing a sharp slowdown in consumption in urban and rural India. Automobile sales have turned negative across commercial vehicles, passenger vehicles and even two wheelers. Even the FMCG sector growth has almost halved to 4-5%. A sharper fall has happened in rural demand, which was growing at twice the rate of urban demand and has now come down to parity. Our discussion with several companies in the consumer discretionary space all indicate a similar trend. Banks too are consciously going slow on their unsecured loan segment. In this backdrop, it looks like a re-ignition of the corporate sector capex cycle will be delayed further.

There are many other reasons being attributed to the sudden change in sentiments. One is the elections itself. There are typically three months of campaigning and voting in the run up to an election result, during which the Government machinery slows down as new tender activity stops, the pace of implementation of projects on the ground slows down and even Government payments get delayed. Moreover, cash in the system gets diverted to election funding. In rural India, the slowdown is being attributed to weak rural incomes caused by two years of weak monsoons compounded by falling food prices. This is also a result of the Government's focus on reigning in inflation of which food is a core component.

Our own belief is that the main trigger behind the slowdown is tight liquidity in the system. The genesis is the default by IL&FS, an AAA rated unlisted Non-Bank Finance Company (which happened in September 2018 and something we wrote about extensively last year). Virtually all mutual funds and banks were lenders to IL&FS. Since its default, most mutual funds have seen redemptions in their debt schemes and have been pulling out money from any business they see as risky. Likewise, even well capitalised banks have turned risk averse and are consciously restricting credit growth. This is having a domino effect with the real pain being felt in the non-banking finance sector (NBFC) which relies on wholesale liabilities (mainly from banks and mutual funds) to fund asset growth. The NBFCs have been the large lenders to the Small and Medium Enterprises (SMEs) as well as to retail borrowers as they are able to provide small ticket loans, filling in gaps left by the banking sector.

Moreover, they are also the principal lenders to the real estate sector. With funding drying up for even the well capitalised NBFCs, it is having a direct impact on liquidity across the system. This is seeing itself manifest in various forms:

- Behaviour patterns are changing. Conserving working capital has become the buzz word. Most dealers and distributors are focusing on reducing inventories. At the same time many businesses are sacrificing growth if they find their counterparty does not have a strong enough balance sheet.
- Many promoter families of strong cash rich companies had other business interests, funding for which was obtained by raising debt by pledging shares of the existing business. With refinance proving difficult for these businesses, these families are being forced to top up the pledges (as share prices are falling) and in some cases being forced to sell stakes in their crown jewels or face liquidation by creditors.
- There are also rising cases of corporate defaults by companies with leveraged balance sheets or cashflow mismatches. This is because the refinancing of working capital is drying up. Consequently, there are sharp

INVESTMENT MANAGER'S REPORT continued

downgrades in credit ratings, leading to a further hit on the balance sheet of banks and mutual funds.

The above factors have created nervousness in the business environment. There are concerns of the liquidity crunch leading to defaults in areas such as the real estate sector. In this environment, any negative news on a company is leading to sharp stock prices corrections corresponding with the flight to “mega-cap safety”. What has surprised us is the stand taken by the Government. Both the Government and the Central Bank have repeatedly stated that they are on top of the situation, that the problem is restricted to just four or five entities and there are no systemic issues. The Central Bank has been infusing liquidity in the system and claims that there is actually a surplus in liquidity. If this is the case it is clear that it is not reaching the intended target.

It was widely anticipated in the Budget, which was presented in the first week of July, that the Government would try to kick-start the economy by going easy on its fiscal deficit target. Instead it remained on the path of fiscal consolidation, with the fiscal deficit targeted to come down to 3.3%, from 3.4% in the previous year. The Government's viewpoint is that with structural reforms over the past five years in place and further supply-side measures planned, it is more prudent to follow a path of long-term sustainable growth over any short-term fix.

The Budget did however open the window for the Government to source up to 10% of its borrowing requirements through sovereign debt issued to the offshore market. This has not been done before and attempts to address concerns of liquidity being sucked up by the Government borrowing at the expense of the private sector. This was a bold move and has already led to 10-year bond yields correcting by almost 40bps. It is anticipated that over the next twelve months, interest rates could see a further drop of about 50-75bps, following the 75bps fall already seen over the last six months. The Government has set a target of growing India into a US\$5 trillion economy by 2025 from US\$2.7 trillion on the back of higher investment, savings and exports in the way China's growth was propelled. Infrastructure expenditure target has been put at US\$1.5trn during this period. However, with no concrete measures announced, it remained a disappointment. There were however measures to tackle the current liquidity crisis. This included further capital infusion into public sector banks. Also, the Government will give a 10% first loss guarantee to banks for the next 6 months, on high-rated pooled assets that they purchase from “sound” NBFCs up to a total limit of INR\$1trn.

The Government's attempt at raising additional revenues by increasing tax surcharges on super high-income individuals spooked the market. An unintended fallout was that foreign portfolio investors (FPI) registered as trusts

and associations would also come under this surcharge. India Capital Growth Fund (ICGF) and its Mauritian subsidiary are corporate entities so are not impacted by this surcharge but nonetheless this covers roughly 40% of FPIs registered in India and implies a jump in their capital gains tax outflow. With net FII outflows of almost US\$2bn in July, we did expect the Government to have a rethink and as we write, the Government has indicated that they would begin an exercise of meeting with different industry bodies over the next month to understand the issues they are facing on how to address them. We believe this is the first recognition of the fact that there is a slowdown in the growth momentum.

While markets have come off, it has also been accompanied by downgrades in earnings. For FY19, the Nifty 50 Index earning growth was a modest 9%, compared to a consensus forecast of 25% at the beginning of the previous year. The portfolio itself saw earnings growth diminish largely driven by some of the financials exposure increasing provisioning in the event of NPAs and cement companies, which suffered from low pricing. Both sectors should however see a bounce back in earnings as current short-term challenges facing the economy wash through.

While we do remain optimistic on the long term given the structural reforms already in place, forecasting earnings in the short term is proving to be challenging. This is also because of the global uncertainty led by the US-China trade wars, which has a bearing on some of our portfolio companies, particularly in the IT and auto-ancillary space. We believe sentiment needs to improve and for this we need some trigger factors. A potential resolution of one or two stressed companies in the housing finance space could help as it would provide confidence that there is no systemic issue and there are buyers for these assets. Likewise, quick resolutions to one or two large assets which have got stuck in legal issues during bankruptcy proceedings could also be a trigger for the banking sector to see a revival in lending.

In terms of valuations companies are more reasonably priced. After the recent price correction and earnings downgrades, valuations are now below their historical averages. The BSE Mid Cap TR Index is trading at a PE of 16x for FY21 (against its 4yr average of 17x) whilst the large cap Sensex Index is trading at PE of 17x FY21 (against its 4yr average of 15.6x). ICGF trades at PE of 12.5x FY21, both an attractive discount compared to BSE Midcap TR Index and its long-term average. Since companies we own have seen sizeable corrections we are finding value within our portfolio. In this environment our aim is to become more concentrated, reducing holdings from 36 stocks currently to about 30 by increasing weights in businesses which have the strongest fundamentals and where we see substantial upside.



INVESTMENT MANAGER'S REPORT continued

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 Dewan Housing Finance, a housing finance company, headquartered in Mumbai with branches spread across India. The Company offers housing finance to the lower and middle income groups in semi-urban and rural parts of India.

Many stocks in the portfolio contributed positive returns, including PI Industries (3.9% weight) up 36.0%, Federal Bank (5.7% weight) up 16.3%, NIIT Technologies (4.5% weight) up 17.0%, Kajaria Ceramics (4.0% weight) up 18.0% and PSP Projects (2.2% weight) up 39.9%.

Among the negative contributors were Jyothy Laboratories (3.5% weight) down 25.7%, Yes Bank (2.1% weight) down 39.4%, Jain Irrigation (0.6% weight) down 63.0% and Manpasand Beverages (0.6% weight) down 60.1%.

Outperformance stemmed mainly from stock selection in Materials, HealthCare and Information Technology, holding Cash (7.3% weight) in a falling market and being underweight in Utilities and Energy, while we were negatively impacted due to stock selection in Consumer Staples, Consumer Discretionary, Industrials and Financials.

Ocean Dial Asset Management

3 September 2019

DIRECTORS' REPORT

The Directors present their interim report and the unaudited financial statements of the Company for the period from 1 January 2019 to 30 June 2019.

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 2019, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited. The Company's Ordinary Shares are admitted to trading on the Main Market of the London Stock Exchange.

INVESTMENT POLICY

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

The portfolio concentration ranges between 30 and 40 stocks; however, to the extent the Company grows, the number of stocks held may increase over time. The Company is subject to the following investment limitations: No more than 10% of Total Assets may be invested in the securities of any one Issuer or invested in listed closed-ended funds.

The Board of Directors of the Company does not intend to use derivatives for investment purposes.

The Directors confirm the investment policy of the Company has been complied with throughout the period ended 30 June 2019.

RESULTS AND DIVIDENDS

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

The results for the period are set out in the unaudited statement of comprehensive income.

Consistent with the Company's investment policy of providing long term capital appreciation, the Directors do not recommend the payment of a dividend for the period ended 30 June 2019 (2018: £nil).

GOING CONCERN

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

SUBSTANTIAL INTERESTS

Shareholders who have reported they held an interest of 3% or more of the Ordinary Share Capital of the Company at 30 June 2019 are stated in the table below:

| | Number of shares | % holding |
|-------------------------|------------------|-----------|
| Lazard Asset Management | 16,269,189 | 14.46% |
| Hargreaves Lansdown | 13,288,730 | 11.81% |
| Miton Asset Management | 7,850,000 | 6.98% |
| EFG Harris Allday | 5,563,348 | 4.95% |
| Interactive Investor | 5,297,768 | 4.71% |
| Charles Stanley | 5,238,527 | 4.66% |
| Rathbones | 4,086,762 | 3.63% |
| AJ Bell | 3,571,262 | 3.17% |

DIRECTORS

The names of the Directors of the Company are set out on page 1, all of whom served throughout the period and to date.

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

At 30 June 2019, Directors and their immediate families held the following declarable interests in the Company:

| | Ordinary shares 30.06.19 | Ordinary shares 30.06.18 | Ordinary shares 31.12.18 |
|-----------------|--------------------------------|--------------------------------|--------------------------------|
| Elisabeth Scott | 10,000 | 10,000 | 10,000 |
| Peter Niven | 37,500 | 37,500 | 37,500 |
| John Whittle | 30,000 | 30,000 | 30,000 |

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a Control Environment and Risk Assessment Matrix (the "Matrix"), which identifies the key risks to the Company and considers the impact and likelihood of each significant risk identified. These fall into the following broad categories:

- **Investment:** The Company is exposed to the risk that its portfolio fails to perform in line with the investment objectives and policy if the companies in the portfolio perform poorly or markets move adversely. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the constitution of the portfolio, its liquidity and its attribution by sector and weighting compared to the BSE Mid Cap Total Return Index.
- **Assets:** The Company's assets may be affected by uncertainties in India such as political developments, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations.
- **Operations, Systems and Data Security:** The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Investment Manager, the Administrator, or the Company's other service providers. The Audit Committee visit the Investment Manager annually to perform a due diligence review of its controls and the Board receives reports annually from the Administrator on their internal controls.

- **Accounting, Legal and Regulatory:** The Company is exposed to risk if it fails to comply with the laws and regulations applicable to a company with a premium listing on the Main Market of the London Stock Exchange and the Guernsey, Mauritian and Indian laws and regulations or if it fails to maintain accurate accounting records. The Investment Manager and Administrator provides the Board with regular reports on changes in regulations and accounting requirements.
- **Taxation:** The Company is exposed to the risk of additional taxation charges from several geographical jurisdictions in which the Company, its service providers or companies in its investment portfolio reside. The risk that appropriate tax residency is not maintained may result from poor administration or from changes in Government policy. The board receives quarterly updates from the Investment Manager and the Administrator who is responsible for tax residence administration. Note 11 to the financial statements details key taxation risks and their impact upon the Company.
- **Financial:** The financial risks, including market, foreign currency, credit and liquidity risk, faced by the Company, where appropriate, are set out in note 11 to the financial statements. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting.

ONGOING CHARGES

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the ongoing charges ratio ("OCR") of the Company and its subsidiary for the period ended 30 June 2019 was 1.99% based on an average AUM of £110,822,000 (30 June 2018: 1.90% based on an average AUM of £127,776,000 and 31 December 2018: 1.91% based on an average AUM of £120,863,000).

With effect from 1 July 2019, the Investment Manager's fee was reduced from 1.50% to 1.25% of Net Asset Value, thereby reducing the future OCR by 0.25%.

Approved by the Board of Directors and signed on behalf of the Board on 3 September 2019.

John Whittle

Peter Niven



RESPONSIBILITY STATEMENT OF THE DIRECTORS

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 as adopted by the European Union; 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:

John Whittle

Peter Niven

3 September 2019

PRINCIPAL INVESTMENTS OF ICG Q LIMITED

AS AT 30 JUNE 2019

| HOLDING | Market cap size ¹ | Sector | Value £000 | % of company NAV |
|---|------------------------------|------------------------|---------------|------------------------|
| Federal Bank | M | Financials | 6,205 | 5.7% |
| City Union Bank | M | Financials | 5,684 | 5.2% |
| Tech Mahindra | L | Information Technology | 5,162 | 4.7% |
| NIIT Technologies | S | Information Technology | 4,928 | 4.5% |
| Kajaria Ceramics | S | Industrials | 4,396 | 4.0% |
| PI Industries | M | Materials | 4,235 | 3.9% |
| Divi's Laboratories | M | Health Care | 3,931 | 3.6% |
| Jyothy Laboratories | S | Consumer Staples | 3,795 | 3.5% |
| Berger Paints India | M | Materials | 3,562 | 3.3% |
| IDFC Bank | M | Financials | 3,441 | 3.2% |
| Ramkrishna Forgings | S | Materials | 3,353 | 3.1% |
| Welspun India | S | Consumer Discretionary | 3,286 | 3.0% |
| Motherson Sumi Systems | M | Consumer Discretionary | 3,097 | 2.8% |
| Indusind Bank | L | Financials | 3,068 | 2.8% |
| Aurobindo Pharma | M | Health Care | 2,924 | 2.7% |
| The Ramco Cements | M | Materials | 2,872 | 2.6% |
| Exide Industries | M | Consumer Discretionary | 2,801 | 2.6% |
| Radico Khaitan | S | Consumer Staples | 2,789 | 2.6% |
| Emami | S | Consumer Staples | 2,739 | 2.5% |
| Essel Propack | S | Materials | 2,680 | 2.4% |
| Total top 20 portfolio investments | | | 74,949 | 68.7% |

¹ Refer to page 11 for market capitalisation size definitions.

PORTFOLIO STATEMENT OF ICG Q LIMITED

AS AT 30 JUNE 2019

| HOLDING | Market cap size ¹ | Nominal | Value £000 | % of company NAV |
|-------------------------------|------------------------------|-----------|---------------|------------------------|
| LISTED SECURITIES | | | | |
| Consumer Discretionary | | | | |
| Balkrishna Industries | M | 300,000 | 2,596 | 2.4% |
| Exide Industries | M | 1,215,336 | 2,801 | 2.6% |
| Kitex Garments | S | 1,000,000 | 1,144 | 1.0% |
| Motherson Sumi Systems | M | 2,218,110 | 3,097 | 2.8% |
| Welspun India | S | 5,000,000 | 3,286 | 3.0% |
| | | | 12,924 | 11.8% |
| Consumer Staples | | | | |
| Emami | S | 800,000 | 2,739 | 2.5% |
| Jyothy Laboratories | S | 2,086,710 | 3,795 | 3.5% |
| Manpasand Beverages | S | 1,722,085 | 699 | 0.6% |
| Radico Khaitan | S | 772,000 | 2,789 | 2.6% |
| | | | 10,022 | 9.2% |
| Financials | | | | |
| City Union Bank | M | 2,277,000 | 5,684 | 5.2% |
| Indian Bank | S | 754,400 | 2,244 | 1.9% |
| IDFC Bank | M | 6,950,000 | 3,441 | 3.2% |
| Indusind Bank | L | 190,000 | 3,068 | 2.8% |
| Jammu & Kashmir Bank | S | 5,149,417 | 2,373 | 2.2% |
| Federal Bank | M | 5,000,000 | 6,205 | 5.7% |
| Yes Bank | M | 1,800,000 | 2,241 | 2.1% |
| | | | 25,256 | 23.1% |
| Healthcare | | | | |
| Aurobindo Pharma | M | 420,000 | 2,924 | 2.7% |
| Divi's Laboratories | M | 215,000 | 3,931 | 3.6% |
| Neuland Laboratories | S | 148,000 | 894 | 0.8% |
| | | | 7,749 | 7.1% |
| Industrials | | | | |
| Finolex Cables | S | 488,262 | 2,462 | 2.2% |
| Jain Irrigation Systems | S | 2,190,000 | 647 | 0.6% |
| Kajaria Ceramics | S | 660,000 | 4,396 | 4.0% |
| PSP Projects | S | 373,875 | 2,351 | 2.2% |
| | | | 9,856 | 9.0% |

PORTFOLIO STATEMENT OF ICG Q LIMITED (continued)

| HOLDING | Market cap size ¹ | Nominal | Value £000 | % of company NAV |
|---|------------------------------|-----------|----------------|------------------------|
| IT | | | | |
| BLS International Services | S | 1,000,000 | 1,177 | 1.1% |
| NIIT Technologies | S | 320,000 | 4,928 | 4.5% |
| Tech Mahindra | L | 638,078 | 5,162 | 4.7% |
| | | | 11,267 | 10.3% |
| Materials | | | | |
| Berger Paints India | M | 980,000 | 3,562 | 3.3% |
| Essel Propack | S | 1,796,520 | 2,680 | 2.4% |
| JK Lakshmi Cement | S | 504,239 | 1,970 | 1.8% |
| PI Industries | M | 315,320 | 4,235 | 3.9% |
| Ramkrishna Forgings | S | 661,230 | 3,353 | 3.1% |
| Sagar Cements | S | 330,000 | 2,503 | 2.3% |
| Skipper | S | 1,768,293 | 1,200 | 1.1% |
| The Ramco Cements | M | 320,000 | 2,872 | 2.6% |
| | | | 22,375 | 20.5% |
| Real Estate | | | | |
| Arihant Foundations & Housing | S | 592,400 | 167 | 0.2% |
| Sobha Developers | S | 250,000 | 1,552 | 1.4% |
| | | | 1,719 | 1.6% |
| Total equity investments | | | 101,168 | 92.6% |
| Cash less other net current liabilities of ICG Q Limited | | | 7,927 | 7.3% |
| Total net assets of ICG Q Limited | | | 109,095 | 99.9% |
| Cash less other net current liabilities of the Company | | | 58 | 0.1% |
| Total Net Assets | | | 109,153 | 100.0% |
| Notes: | | | | |
| L: Large cap – companies with a market capitalisation above US\$7bn | | | | 7.5% |
| M: Mid cap – companies with a market capitalisation between US\$2bn and US\$7bn | | | | 39.9% |
| S: Small cap – companies with a market capitalisation below US\$2bn | | | | 45.2% |
| | | | | 92.6% |

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT REVIEW REPORT TO INDIA CAPITAL GROWTH FUND LIMITED

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 2019 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 2019 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
3 September 2019

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | Revenue £000 | Capital £000 | Six months to 30.06.19 Total £000 | Six months to 30.06.18 Total £000 | Year to 31.12.18 Total £000 |
|--|-------|-----------------|-----------------|--|--|--------------------------------------|
| Income | | | | | | |
| Net loss on financial asset at fair value through profit or loss | 5 | - | (4,962) | (4,962) | (20,931) | (27,989) |
| Total income | | - | (4,962) | (4,962) | (20,931) | (27,989) |
| Expenses | | | | | | |
| Operating expenses | 3 | (248) | - | (248) | (243) | (422) |
| LSE Main Board listing expense | | - | - | - | (155) | (155) |
| Foreign exchange loss | | (1) | - | (1) | - | (1) |
| | | (249) | - | (249) | (398) | (578) |
| Loss for the period/year before taxation | | (249) | (4,962) | (5,211) | (21,329) | (28,567) |
| Taxation | 6 | - | - | - | - | - |
| Loss for the period/year after taxation | | (249) | (4,962) | (5,211) | (21,329) | (28,567) |
| Loss per Ordinary Share (pence) | 4 | | | (4.63) | (18.96) | (25.39) |
| Fully diluted loss per Ordinary Share (pence) | 4 | | | (4.63) | (18.96) | (25.39) |

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

The loss 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 STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

| | Notes | Unaudited 30.06.18 £000 | Unaudited 30.06.18 £000 | Audited 31.12.18 £000 |
|---|-------|-------------------------------|-------------------------------|-----------------------------|
| Non-current assets | | | | |
| Financial asset designated at fair value through profit or loss | 5 | 109,095 | 121,615 | 114,357 |
| Current assets | | | | |
| Cash and cash equivalents | | 109 | 45 | 13 |
| Other receivables and prepayments | | 175 | 179 | 206 |
| | | 284 | 224 | 219 |
| Current liabilities | | | | |
| Payables | 7 | (226) | (237) | (212) |
| Net current assets/(liabilities) | | 58 | (13) | 7 |
| Total assets less current liabilities | | 109,153 | 121,602 | 114,364 |
| Equity | | | | |
| Ordinary share capital | 9 | 1,125 | 1,125 | 1,125 |
| Reserves | | 108,028 | 120,477 | 113,239 |
| Total equity | | 109,153 | 121,602 | 114,364 |
| Number of Ordinary Shares in issue | 9 | 112,502,173 | 112,502,173 | 112,502,173 |
| Net Asset Value per Ordinary Share (pence) - Undiluted and diluted | | 97.02 | 108.09 | 101.65 |

The unaudited financial statements on pages 13 to 24 were approved by the Board of Directors on 3 September 2019 and signed on its behalf by:

Peter Niven

John Whittle

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



UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

| | Notes | Share capital £000 | Capital reserve £000 | Revenue reserve £000 | Share premium £000 | Total £000 |
|--|-------|-----------------------|-------------------------|-------------------------|-----------------------|----------------|
| Balance as at 1 January 2019 | | 1,125 | 28,413 | (10,524) | 95,350 | 114,364 |
| Loss on investments | 5 | - | (4,962) | - | - | (4,962) |
| Revenue loss for the period after taxation | | - | - | (249) | - | (249) |
| Balance as at 30 June 2019 | | 1,125 | 23,451 | (10,773) | 95,350 | 109,153 |

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

| | Notes | Share capital £000 | Capital reserve £000 | Revenue reserve £000 | Share premium £000 | Total £000 |
|--|-------|-----------------------|-------------------------|-------------------------|-----------------------|---------------|
| Balance as at 1 January 2018 | | 1,125 | 56,402 | (9,946) | 95,350 | 142,931 |
| Loss on investments | 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 ENDED 30 JUNE 2019 (AUDITED)

| | Notes | Share capital £000 | Capital reserve £000 | Revenue reserve £000 | Share premium £000 | Total £000 |
|--|-------|-----------------------|-------------------------|-------------------------|-----------------------|---------------|
| Balance as at 1 January 2018 | | 1,125 | 56,402 | (9,946) | 95,350 | 142,931 |
| Loss on investments | 5 | - | (27,989) | - | - | (27,989) |
| Revenue loss for the period after taxation | | - | - | (578) | - | (578) |
| Balance as at 31 December 2018 | | 1,125 | 28,413 | (10,524) | 95,350 | 114,364 |

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

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

| | Unaudited 30.06.19 £000 | Unaudited 30.06.18 £000 | Audited 31.12.18 £000 |
|---|-------------------------------|-------------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Operating loss | (5,211) | (21,329) | (28,567) |
| Adjustment for: | | | |
| Net loss on financial asset at fair value through profit or loss | 4,962 | 20,931 | 27,989 |
| Foreign exchange losses | 1 | - | 1 |
| Decrease/(increase) in receivables | 31 | 10 | (17) |
| Increase/(decrease) in payables | 14 | (228) | (253) |
| Net cash flows from operating activities | (203) | (616) | (847) |
| Cash flows from investing activities | | | |
| Partial redemption of investment in ICG Q Limited | 300 | 585 | 785 |
| Net increase/(decrease) in cash and cash equivalents during the period/year | 97 | (31) | (62) |
| Cash and cash equivalents at the start of the period/year | 13 | 76 | 76 |
| Foreign exchange losses | (1) | - | (1) |
| Cash and cash equivalents at the end of the period/year | 109 | 45 | 13 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 30 JUNE 2019

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as adopted by the European Union and, except as described below, the accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2018.

The condensed financial statements do not include all of the information required for a complete set of International Financial Reporting Standard ("IFRS") financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2018, which were prepared under 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 do not have any material effect on the Company's operations or the unaudited financial statements:-

Standards, interpretations and amendments with no material effect on the financial statements

- IFRS 15, 'Revenue from Contracts with Customers'. This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and related interpretations.
- Amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
- Transfers of Investment Property - Amendments to IAS 40
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs – 2014-2016 Cycle: IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
- Annual Improvements to IFRSs – 2014-2016 Cycle: IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

Other standards in issue, but not yet effective including IFRS 16, IFRS 17 and IFRIC 23, are not expected to have a material effect on the financial statements of the Company in future periods and have not been disclosed.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

IFRS require management to make judgements, 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 judgements 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 analysis in note 11. In relation to the valuation of the unlisted investment, actual results may differ from the estimates. It is management's judgement that the Net Asset Value (NAV) of ICG Q Limited is an appropriate proxy for fair value as the Company can control the sale of the subsidiary's investments which are all listed on stock exchanges in India and therefore are mostly regarded as highly liquid.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING EXPENSES

| | Unaudited Six months to 30.06.19 Total £000 | Unaudited Six months to 30.06.18 Total £000 | Audited Year to 31.12.18 Total £000 |
|-------------------------------------|---|---|---|
| Administration and secretarial fees | 22 | 26 | 48 |
| Audit fee – current year | 22 | 7 | 29 |
| Audit fee – prior year | 8 | - | - |
| Broker fee | 16 | 16 | 26 |
| Directors' fees | 44 | 44 | 88 |
| D&O insurance | 3 | 3 | 5 |
| General expenses | 40 | 36 | 55 |
| Legal and professional fees | 23 | 40 | 36 |
| Marketing expenses | 57 | 58 | 110 |
| Registrar fee | 3 | 3 | 6 |
| Regulatory fees | 10 | 10 | 19 |
| | 248 | 243 | 422 |

4. EARNINGS PER SHARE

Loss per Ordinary Share and the fully diluted loss per share are calculated on the loss for the period of £5,211,000 (2018 – £21,329,000) divided by the weighted average number of Ordinary Shares of 112,502,173 (2018 – 112,502,173).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Unaudited Six months to 30.06.19 Total £000 | Unaudited Six months to 30.06.18 Total £000 | Audited Year to 31.12.18 Total £000 |
|--|---|---|---|
| Fair value at beginning of year | 114,357 | 143,131 | 143,131 |
| Proceeds from partial redemption of investment in ICG Q Limited | (300) | (585) | (785) |
| Realised gain on partial redemption of investment in ICG Q Limited | 190 | 410 | 536 |
| Unrealised loss on revaluation | (5,152) | (21,341) | (28,525) |
| Net loss of ICG Q Limited | (4,962) | (20,931) | (27,989) |
| Fair value at end of period/year | 109,095 | 121,615 | 114,357 |

The net realised and unrealised losses totalling £4,962,000 (2018: £20,931,000) on financial assets at fair value through profit and loss arise from the Company's holding in ICG Q Limited. The movement is driven by the following amounts within the financial statements of ICG Q Limited, as set out below:

| | Unaudited Six months to 30.06.19 Total £000 | Unaudited Six months to 30.06.18 Total £000 | Audited Year to 31.12.18 Total £000 |
|---|---|---|---|
| Dividend income | 81 | 199 | 758 |
| Other income | - | - | 15 |
| Unrealised losses on financial assets at fair value through profit and loss | (7,831) | (25,967) | (34,451) |
| Realised gain on disposal of investments | 2,515 | 5,842 | 7,659 |
| Investment management fee | (825) | (951) | (1,815) |
| Operating expenses | (37) | (38) | (71) |
| Taxes | (2) | (6) | (19) |
| Transaction costs | (23) | (29) | (65) |
| Foreign exchange gain | 1,160 | 19 | - |
| Net loss of ICG Q Limited | (4,962) | (20,931) | (27,989) |

As described in the statutory accounts of the Company for the year ended 31 December 2018, the Company qualifies as an investment entity under IFRS 10. It therefore does not consolidate its investment in ICG Q Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION

Guernsey

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

For the period ended 30 June 2019, the Company had a tax liability of £nil (2018: £nil).

7. PAYABLES

| | Unaudited Six months to 30.06.19 Total £000 | Unaudited Six months to 30.06.18 Total £000 | Audited Year to 31.12.18 Total £000 |
|--|---|---|---|
| Payables in respect of LSE main market listing | - | 150 | - |
| Other payables and accruals | 226 | 87 | 212 |
| | 226 | 237 | 212 |

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 Interim Report to disclose the underlying information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. SHARE CAPITAL

Authorised Share Capital

Unlimited number of Ordinary Shares of £0.01 each

| | Number of shares | Share capital £000 |
|------------------------|---------------------|--------------------------|
| Issued share capital | | |
| At 30 June 2019 | 112,502,173 | 1,125 |
| At 30 June 2018 | 112,502,173 | 1,125 |
| At 31 December 2018 | 112,502,173 | 1,125 |

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The analysis as at 30 June 2019 is as follows:

| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---------------------|-----------------|-----------------|-----------------|----------------|
| Unlisted securities | - | 109,095 | - | 109,095 |

The analysis as 30 June 2018 is as follows:

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

The analysis as at 31 December 2018 is as follows:

| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---------------------|-----------------|-----------------|-----------------|---------------|
| Unlisted securities | - | 114,357 | - | 114,357 |

The Company's investment in ICG Q Limited, the Company's wholly owned subsidiary is priced based on the subsidiary's net asset value as calculated as at the reporting date. The company has the ability to redeem its investment in ICG Q Limited at the net asset value at the measurement date therefore this is categorised as level 2. The classification within the hierarchy does not necessarily correspond to the Investment Manager's perceived risk of the investment, nor the level of the investments held within the subsidiary. All the underlying investments of ICG Q Limited are categorised as level 1 at 30 June 2019 and 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. FINANCIAL INSTRUMENTS AND RISK PROFILE

The primary objective of India Capital Growth Fund Limited is to provide long-term capital appreciation by investing predominantly in companies based in India through its subsidiary. The investment policy permits making investments in a range of equity and equity linked securities of such companies. ICG Q Limited's portfolio of investments is predominantly in listed mid cap and small cap Indian companies and did not hold any unlisted securities during the period ended 30 June 2019. While the principal focus is on investments in listed equity securities or equity-linked securities, ICG Q Limited has the flexibility to invest in bonds, convertibles and other type of securities.

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

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. The Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to exercise such powers. In the period ended 30 June 2019, the Board determined that it was inappropriate to exercise such powers, although continuation of these powers will be sought at the Annual General Meeting.

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

The Company holds a single investment in ICG Q Limited, which holds an underlying portfolio of 36 listed equity instruments based in India. Below is an assessment of the various risks the Company may be exposed to via ICG Q Limited.

Market 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 2019, comprised investment in 36 companies. ICG Q Limited thus has higher exposure to market risk in relation to individual stocks than more broadly spread portfolios.

ICG Q Limited's portfolio consists predominantly of mid cap and small cap listed Indian securities, and thus the effect of market movements is not closely correlated with the principal market index, the BSE Sensex. The BSE Mid Cap Total Return Index provides a better (but not ideal) indicator of the effect of market price risk on the portfolio. Assuming perfect correlation the sensitivity of ICG Q Limited to market price risk can be approximated by applying the percentage of funds invested (2019: 92.68%; 2018: 93.20%) to any movement in the BSE Mid Cap Total Return Index. At 30 June 2019, with all other variables held constant, this approximation would produce a movement in the net assets of ICG Q Limited of £10,117,000 (2018: £11,333,000) for a 10% (2018: 10%) movement in the index which would impact the Company via a fair value movement of the same magnitude in its holding in ICG Q Limited.

Foreign currency risk

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

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

At 30 June 2019, if the Indian Rupee had strengthened or weakened by 10% (2018: 10%) against Sterling with all other variables held constant, pre-tax profit for the period would have been £10,901,000 (2018: £12,139,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial instruments and risk profile (continued)

Credit risk

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

The principal credit risks for the Company are in relation to cash held by the custodian. Kotak Mahindra Bank Limited ("Kotak") acts as the custodian to the Company. The aggregate exposure to Kotak at 30 June 2019 was £8,048,000 (2018: £8,063,000).

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

Interest rate risk

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

Liquidity risk

Liquidity risk arises mainly from ICG Q Limited encountering difficulty in realising assets or otherwise raising funds to meet financial commitments. As the trading volume on the Indian stock markets is lower than that of more developed stock exchanges the Group may be invested in relatively illiquid securities. ICG Q Limited has no unlisted securities. ICG Q Limited's focus is to invest predominantly in mid and small cap listed stocks. As noted in the Investment Manager's Report, minimum liquidity criteria are utilised for new purchases. However there remain holdings where there is relatively little market liquidity, which may take time to realise. The Directors do

not believe that the market is inactive enough to warrant a discount for liquidity risk on ICG Q Limited's investments.

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

All liabilities are current and due on demand.

Taxation risk

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

However, with effect from April 2017, the DTAA was amended such that the advantages of investing in India via Mauritius were removed and capital gains arising from investments in Indian companies are subject to Indian Capital Gains Tax regulations. Consequently, tax on 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% apply to the investment portfolio.

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. There is no capital gains tax accrual at 30 June 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. 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% (1.25% from 1 July 2019) per annum of Total Assets, calculated and payable monthly in arrears. The Investment Manager earned £826,000 in management fees during the six months ended 30 June 2019 (six months ended 30 June 2018: £951,000 and year ended 31 December 2018: £1,815,000) of which £135,000 was outstanding at 30 June 2019 (30 June 2018: £150,000 and 31 December 2018: £146,000).

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 £22,000 for administration and secretarial services during the six months ended 30 June 2019 (six months ended 30 June 2018: £26,000 and year ended 31 December 2018: £48,000) of which £3,000 was outstanding at 30 June 2019 (30 June 2018: £12,000 and 31 December 2018: £3,300).

13. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 30 June 2019 and the date of approving these financial statements.

14. SUBSEQUENT EVENTS

There are no subsequent events to report.

India Capital Growth Fund
1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey GY1 2HL

www.indiacapitalgrowth.com