India
Capital Growth Fund

Annual report and audited consolidated financial statements

For the year ended
31 December 2013

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Contents

Management and administration

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Chairman's statement

This year has been a volatile one for equity investors in India as global forces dominated sentiment and drove capital flows. The Rupee (INR) depreciated 15.3 per cent against Sterling and as a result the Net Asset Value (NAV) fell by 9.2 per cent in 2013 despite delivering positive returns of 4.6 per cent in INR. On a Sterling basis the notional benchmark BSE Mid Cap Index fell by 18.2 per cent, constituting an impressive outperformance by the Investment Manager of 9.0 per cent. This outperformance has continued in the two months to February 2014 with the NAV outperforming the BSE Mid Cap Index by 3.4% in Sterling terms for this period.

Economy

The year had started with optimism. Interest rates were believed to be on a downward path, a slew of policies announced by the Cabinet in the previous September had allowed further Foreign Direct Investment (FDI) in key sectors and the fast tracking of stalled infrastructure projects, all led to the view that one would witness the investment cycle being kick started, allowing growth to resume its recent historic levels. However the fiscal stimulus provided by the Indian Government after the Global Financial Crisis, alongside a high subsidy burden and policy paralysis on the reform front, left India with large fiscal and current account deficits. As such the economy was precariously balanced in the face of global monetary drivers. In my previous statement I wrote that "In 2012 India was a significant beneficiary of the fact that global markets were overflowing with liquidity as a result of the pledge of the Central Banks of developed markets to maintain ultra-loose monetary policy". When juxtaposed with 2013 this could not make for a starker contrast.

The major sell off in the currency that took place in May 2013 after the US Federal Reserve announced it was considering scaling down its Quantitative Easing (QE) programme was a shock to the economy. India was consistently dubbed by strategists and opinion formers as being part of the "Fragile Five" Emerging Market nations with high twin deficits and the potential to suffer Balance of Payments issues as global liquidity tightened.

It is a relief to write that since the US Federal Reserve started reducing its QE programme in December, the Rupee has held up well relative to other Emerging Markets, supported by an improvement in the current account deficit. This has resulted from improved exports driven by a weaker Rupee and reduced imports as the Government clamped down on excessively high levels of gold imports. Consequently the deficit looks set to come down from US$88bn in FY13 (4.7 per cent of GDP) to a much more manageable US$43bn in FY14 (2.3 per cent of GDP). The real source of positivity however was the appointment of Dr. Raghuram Rajan as Governor of the Reserve Bank of India (RBI) in September. An ex IMF Chief Economist, he is highly respected by the best of world economic forums and has proved to be a steady hand at the tiller since he started. By tapping into the Indian diaspora by opening a two month window for INR deposits at preferential rates, the RBI raised over US$34bn at the end of the year which has shored up Foreign Exchange reserves, putting India in a much better position to manage future moves by the US Federal Reserve to wean the markets off their QE programme.

The moves taken to stabilise the currency unfortunately represents only one step on the journey to economic strength in India. Indeed whilst India is now better placed to weather ubiquitous Emerging Market negativity, necessary structural reform that the country needs is still not forthcoming. Until there is strong and decisive leadership at the top, private sector capex and FDI will continue to hesitate, inflation will continue to stay high and growth will remain sub-par.

With a national election due by May 2014, politics has now taken centre stage. The electorate sent a loud statement that the status quo is unacceptable when the ruling Congress Party was decimated in five state elections in November. The rise of the anti-corruption Aam Aadmi Party and the continued momentum of the BJP's leader, Narendra Modi (architect of the State of Gujarat's economic miracle), provide confidence that graft will no longer be the entrenched modus operandi. Should a strong mandate be won by either main party in the election it is clear that economic reality will triumph over populism and the long term reform agenda will resume its course. The main fear is that neither the BJP nor the Congress gains enough seats to provide a strong mandate and is beholden to the self-interest of several coalition partners. The chances of this are slim however and recent polling suggests that Narendra Modi is gaining traction, especially amongst the younger portion of the electorate. It is worth noting that there are now 120 million new voters of age compared to the 2009 election and should he lead the next Government, we think the market will view this very positively.

Structural changes

Throughout 2013 the Board implemented a cost reduction programme to more align the Company's operating costs with the current size of its assets under management. A global administrator has been appointed in both Guernsey and Mauritius from 1 January 2014 and the custodian and other key service providers have been changed and or costs renegotiated. Consequently annual operating costs in 2014 are budgeted to reduce by over £100,000 to around £338,000.

Additionally in early December, after exploratory discussions with shareholders, the Board announced it was considering an issue of subscription shares ("Share Subscription Issue"). The Board and management believe the Share Subscription Issue would have had a positive impact for shareholders by increasing the size of the Company, which in turn would improve its marketability, facilitate a broader shareholder base and reduce the total expense ratio, whilst ensuring value remained with existing shareholders. However in late December, following further feedback from shareholders, it became evident that whilst there was significant support for the Share Subscription Issue, there was not a clear consensus. Consequently and with regret, the Board announced that it was not able to proceed with the Share Subscription Issue at this current time. The cost of this aborted Share Subscription Issue of £72,500 has been shown as Other professional fees in the Consolidated Statement of Comprehensive Income. The Board and management were disappointed with this outcome but remain intent on delivering performance required to underpin the Company's continuation proposal and growth strategy.

Outlook

Regardless of political and macro-economic factors, India's dynamic, young and entrepreneurial population continues to provide attractive opportunities for patient investors. The Investment Manager's philosophy of bottom up stock selection of high quality, cash generating businesses with strong balance sheets has thus far delivered consistent outperformance against the notional benchmark. In the long run, as confidence returns to the markets, this should translate into meaningful absolute returns for shareholders.

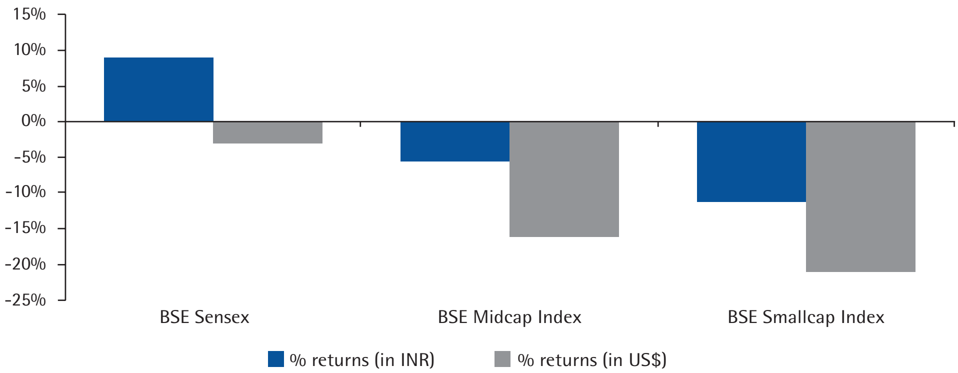
Fred Carr | Chairman
14 March 2014

Investment Manager's report

Introduction

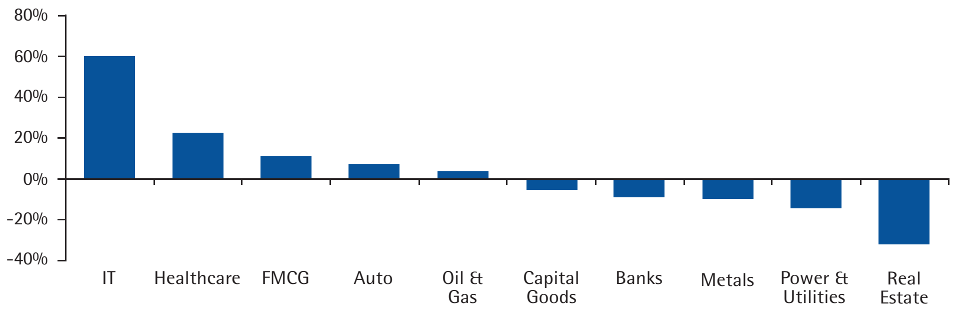
2013 was a volatile year for Indian equities due to both domestic factors and global fund flows. The market witnessed wide divergences not only in price movements in individual stocks but also amongst sectors and between larger and smaller capitalisation stocks within these sectors. This is best reflected in the two charts below which highlight the returns for the BSE Sensex and BSE Midcap Index. Even within sectors, barring some consumer companies, almost all domestic focused sectors saw negative returns. It was a year where export oriented themes found favour.

Chart 1: Large cap v small and mid cap Indices performance – 2013



Source: Bloomberg

Chart 2: Sector returns in India (INR) – 2013

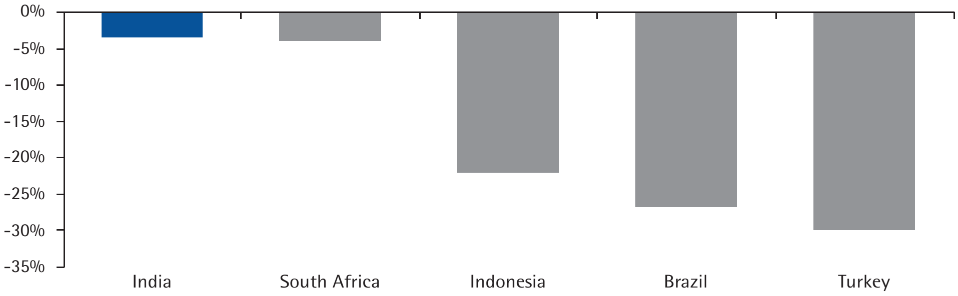


Source: Bloomberg

This volatility was not just in India but across Emerging Markets which were held hostage to global fund flows. Fears of QE tapering by the US Federal Reserve led to a flood of outflows with most emerging economies witnessing declining growth rates and worsening current account balances, leading to sharp movements in currencies and markets. India, with its widening current account deficit, was no exception. Hence while the focus in the first half of the year was on building growth, the focus in the second half shifted to managing the external environment.

India Capital Growth Fund

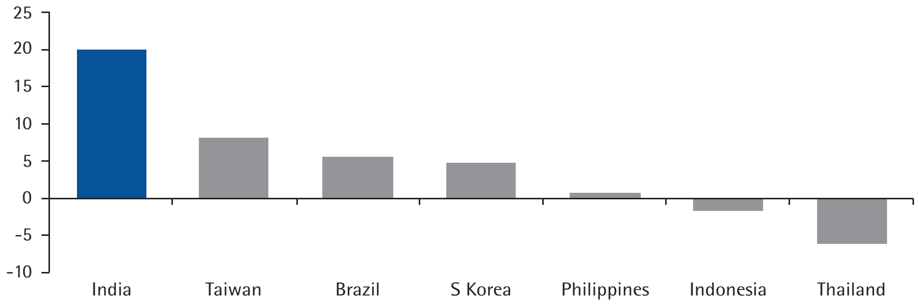
Chart 3: Emerging Market leading local Indices returns (US$) – 2013



Source: Bloomberg

The performance of the Indian market in light of the above is commendable and has allowed it to become one of the leading Emerging Markets in 2013. This is largely because the equity market continued to witness a disproportionate share (albeit volatile) of Foreign Institutional Investor (FII) inflows. In contrast, domestic institutional investors were sustained sellers while domestic retail investors, for the most part, continued to stay away from the market. In such an environment, the philosophy of investing in high quality businesses with strong management teams helped.

Chart 4: FII Flows (US$bn) – 2013



Source: Bank of America Merill Lynch

Economy

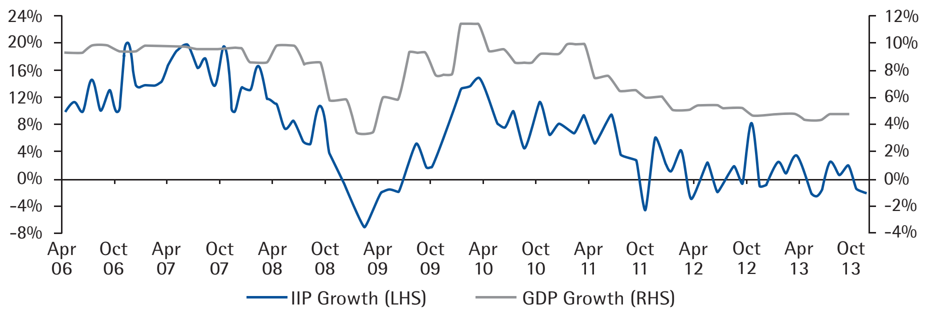
The year began with two main challenges – kick starting the investment cycle and bringing down inflation. Sadly the Government remained in fire fighting mode throughout the year and its performance on both parameters was disappointing.

On the investment side, the key issue was how the Government was going to get the project approvals process going against a background of various corruption related allegations and investigations. The previous decade had witnessed over aggressive bidding by private sector companies, many of whom found these projects unviable due to the change in the economic environment. Hence decisions were required to resolve these issues but nothing was being done for fear of appearing biased towards any single company. To solve the issue the Government created the Cabinet Committee of Investments (CCI) in January 2013, headed by the Prime Minister, to fast track large projects above INR10bn which had become stuck. Much was expected from these initiatives and it was widely believed that during the second half of the calendar year there would be a lot more ground level activity. While the CCI approved 123 projects over the course of the year worth approximately US$65bn, little of this has translated into meaningful investment. This prolonged slowdown continues to impact corporate capex, with most companies deferring investment plans until there are more visible signs of growth. A direct offshoot of this is the slowdown in discretionary spending in urban cities, primarily driven by consumer sentiment.

2013 has been the only year in the last 15 years when car sales growth was negative (down 7 per cent). This sentiment has gradually spread to other categories and most consumer companies are seeing a slowdown in growth rates.

There have however been some positive developments as well. A plentiful and widespread monsoon has ensured a good agricultural output and rising rural income. This is helping sustain rural consumption, thus ensuring that despite the urban slowdown, the consumption story remains upbeat. Moreover, an improved growth outlook for the US Economy has also revived demand for export oriented companies, particularly those in the IT and Textiles sectors. Both these factors have ensured that India may still end the year with GDP growth of 4.5 per cent to 4.8 per cent, despite growth in India's industrial production (IIP) being close to zero.

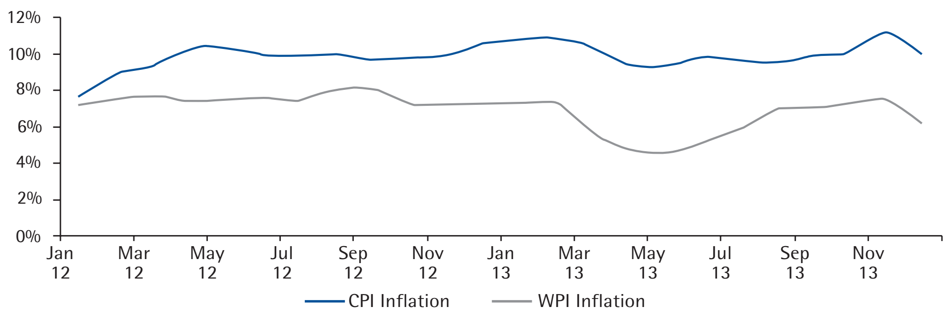
Chart 5: IIP Growth vs GDP growth



Source: Bloomberg

Inflation continues to remain a bugbear and for four years in a row Wholesale Price Index (WPI) inflation has remained above 6 per cent. Initially this was attributed to the Government's policy induced measures such as the rural employment guarantee scheme (NREGA) and sharp hikes in minimum support prices (MSP) of agricultural crops which acted as stimuli after the 2008 economic problems. In 2013 the increase in MSP was moderate and it was widely expected that with good monsoons, inflation would start to fall. However, after a brief respite mid-year, inflation has once again trended upwards. Part of this is due to the imported components of inflation, mainly on account of the currency depreciation, but a bigger factor was a spike in food prices, particularly of fruits and vegetables. Increasingly it is now felt that India has a structural problem, as increased rural incomes are leading to demand for more nutritional food products that are supply constrained. In fact, Consumer Price Index (CPI) inflation remained above 10 per cent throughout the year. This has forced the hand of the RBI which changed direction and increased rates by 75bps since September 2013, to close the year at 7.75 per cent. The RBI has made it abundantly clear that their primary objective is to control inflation, even if it may come at the expense of short term growth. Moreover, they are increasingly focusing on CPI rather than WPI in determining policy rates, a practice followed in most other economies. Given that today CPI is at 10 per cent levels, it implies that interest rates are unlikely to decrease in the short term.

Chart 6: Inflation – 2012-13



Source: Bloomberg

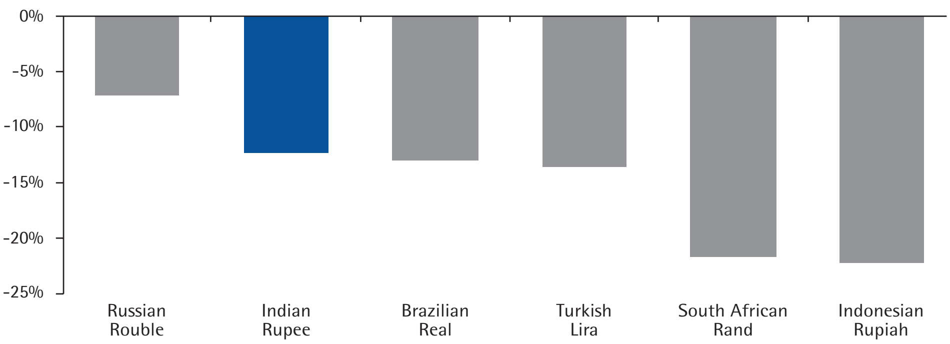
There were however some positives when it came to monetary policy with the appointment of Dr. Raghuram Rajan as the new RBI Governor. A former Chief Economist at the IMF, he brings with him a breath of fresh air in policy making and has eloquently articulated the direction in which the RBI will take policy forward. Moreover he has questioned some of the archaic regulations of the RBI, many of which are likely to be dismantled, providing greater freedom to the banking sector.

Finally, the third major development of the year was the currency collapse. India's current account deficit has always been a concern, especially because of the large component of inelastic oil imports (accounting for over 30 per cent of imports at approximately US$150bn). However, on expectation of QE tapering by the US Federal Reserve, the impact on the currency caught everyone by surprise. During the period between June and August, India witnessed net FII outflows of US$13bn (equity - US$3.7bn, debt - US$9.2bn) and the currency collapsed 14 per cent. This was similar to other emerging economies running current account deficits such as South Africa, Brazil, Turkey, and Indonesia.

The currency is one area where the Government has got hold of the situation, implementing two initiatives that have since brought stability. The first was to virtually put a halt to the imports of gold. India imports approximately US$60bn gold a year (10 per cent of imports in FY13) and since the measure was announced gold imports, which were averaging US$5bn a month, have come down to less than US$2bn a month. Consequently from a level of US$88bn in FY13 it is expected the current account deficit will close FY14 at less than US$50bn.

The second step taken by the RBI, in an effort to shore up Foreign Currency reserves, was to open a two month window to non-resident Indians where it offered a currency swap rate of 3.5 per cent if invested in Rupee deposits for at least three years. Given the prevailing currency swap rate at that time was 6 per cent to 7 per cent, this provided a virtually risk free investment in India. The two month window resulted in inflows of US$34bn. Consequently Foreign Currency reserves, which had fallen to US$270bn in August 2013, stood at US$290bn at the end of the year. Both these factors have strengthened the currency which has recovered from lows in August 2013. More importantly, we believe the measures have given a lot more comfort that should the need arise, the Government does have more levers which it can apply to raise deposits.

Chart 7: Currency movement v US$ across Emerging Markets



Source: Bloomberg

Politics

2013 cannot be discussed without mentioning political developments. It was the last year for the Government to perform before national elections in May 2014 and it had a limited time period to come up with measures to revive the economy. A lot was expected of them, especially in the first half of the year. Unfortunately the ruling UPA Government delivered little, possibly because with the opposition smelling blood, it did not really allow any business to be conducted in Parliament. In fact, in the five year term of the present Government, Parliament passed only 162 bills which was the lowest since independence. This compares to 297 and 248 bills passed in the 1999 to 2004 and 2004 to 2009 eras respectively of the Lok Sabha Government.

The UPA Government, led by the Congress Party, has appeared complacent in believing the various rural schemes announced in the last few years would ensure they continued to receive rural votes. However, in the five states which underwent state elections in November 2013, the Congress Party was decimated in four. These included the two large states of Rajasthan and Madhya Pradesh, as well as Delhi. It became quite apparent that people want a change. A fallout of the above is that the BJP, which is positioning itself on a platform of growth and governance, is getting stronger, led by its charismatic leader, Narendra Modi, the current chief minister of the state of Gujarat, which is one of the most industrialized and progressive states in India. Should the BJP come to power, it would be widely welcomed by the market.

The highlight of the year has been the emergence of a new party called the Aam Admi Party, meaning `people's party'. The party was formed by individuals fed up with the current political system, with the aim of freeing the system of corruption and focussing on governance. Its agenda has taken the country by storm. Not only did the party form the Government in the State of Delhi, the only state it contested, but it has received overwhelming support from many well respected professionals from industry who have joined its ranks. Sceptics still believe the party's influence is limited to Delhi and they have no base in the rest of the country to be a real contender in the national elections. While it is still too early to see if this is a game changer in the Indian political landscape, what is already evident is that it has shaken the existing political parties and they are already distancing themselves from tainted politicians in their respective parties. It bodes well for the future.

Outlook

We believe the year ahead will be fairly challenging for the economy. With elections due in May, politics will dominate the first half of the year and little progress is expected on the economic front. The direction the market is likely to take will depend on how strong a mandate the leading party gets.

On the growth outlook, our discussions with several people in the infrastructure sector makes us believe that it will take at least a year before one could see any sustainable pick up in investment activity, even if the approval process is accelerated. At the corporate level, most companies are in a "wait and watch" mode before they look at expanding capacities as they either wait for the next Government to be formed or see visible signs of growth picking up. It is only the export oriented companies where we are getting positive feelers.

Inflation also remains a challenge. We see inflation trending downwards, largely due to the base effect and some softening in food inflation because of a good winter crop. However regular increases in fuel prices, by reducing subsidies to keep the fiscal deficit in check, and any currency depreciation will put pressure on inflation. The RBI too is giving increasing focus to CPI inflation which is still hovering around the 10 per cent level. Hence, while we do believe rates may not increase any further, it would be too optimistic to assume rates will come down in the first half of the year.

The currency too could play spoilsport. While structurally India is now better placed because of its current account and reserves, there are three factors which worry us: a) the US Federal Reserve's tapering will continue, which is bound to have an impact on Emerging Market fund flows; b) the US and European economies appear to be improving relative to the Emerging Market economies; and c) in 2013 India attracted US$20bn of net FII Equity inflows, much of which came from Emerging Market funds, increasing the risk of outflows in 2014.

However, the political environment will be the single biggest driver for the market going into 2014. We believe the best case scenario will be the BJP and its allies coming to power with a majority. They clearly have strong leadership and a clear agenda on how to bring back growth. A worst case scenario would be if there is a fractured mandate, where a number of parties cobble together to form a Government. This would once again affect decision making as there would be too many vested interests to take care of. We are however of the view that as long as there is a stable Government, headed either by the BJP or the Congress, India would still be better off and one could see significant impetus given to growth. Any of the above developments could lead to sharp swings in market movements.

Portfolio construction and performance

2013 was a comparatively strong year for the portfolio. The NAV increased by 4.6 per cent in local currency terms delivering an impressive outperformance of 10.3 per cent against the notional benchmark, the BSE Mid Cap Index, which fell 5.7 per cent. The biggest positive contribution came from stock selection in the IT, Healthcare and Materials sectors. We held an average 7.5 per cent cash balance during the year. The year-end cash balance stood at 5.7 per cent.

Within the portfolio the two investments which contributed most to the positive returns were KPIT Cummins (5.4 per cent weighting) and Eicher Motors (3.1 per cent weighting) which rose 56 per cent and 72 per cent for the year respectively.

KPIT Cummins is a mid-sized IT company in automotive engineering and ERP solutions. With the growth in US economy, the demand environment for the IT sector has improved significantly. KPIT will benefit from the increasing role of IT and electronics in automobiles. It has six of the top 10 automobile Original Equipment Manufacturers (OEMs) globally as its clients. We believe the improving global demand environment will provide good growth opportunities for the company.

Eicher Motors, a JV between Eicher and Volvo, is India's third largest commercial vehicle (CV) manufacturer. It also owns the Royal Enfield brand which sells the iconic "Bullet" motorcycle. Royal Enfield growth has more than tripled in the last three years on a new engine platform, improved brand positioning and increasing distribution reach. It has gained market share in a down turn for the CV industry owing to refreshed engines, improved supply chain and its distribution network. We believe the business is poised to compound ahead of the industry for several years to come as the micro pieces for the CV business have been put in place which should gain significantly once the CV industry revives.

Two companies which contributed most to the negative returns in the portfolio were MCX India which fell 67 per cent and Sintex Industries down 52 per cent for the year, both of which were exited during the year.

MCX India is a commodity futures exchange. It is a market leader with early mover advantage and an edge in innovation and technology, thus making it a good business to own for the long term. However, two negative events increased governance concerns of the Group; the imposition of Commodities Transaction Tax (CTT) which resulted in MCX's daily volume declining 40 per cent and the suspension of trading of most of the contracts on the National Spot Exchange (NSEL), a commodities exchange promoted by Financial Technologies (FTIL). As a result of these events the position was sold.

Sintex is a diversified industrial company having presence in custom moulding, low cost housing (monolithic construction), pre-fabricated structures and textiles. In the last two years the monolithic construction business, which has contracts under Government schemes, faced severe execution challenges because of delays in approvals and payments. In our interactions with management we were confident that with additional capital raising, the business could turn around. However, after the fund raising, management raised its capex guidance in existing businesses and announced new capex in textiles. Thus, the hope of improving cash flows and thereby valuation multiples have been quashed. We exited from Sintex with no further confidence in management.

Principal Investments at 31 December 2013

Jyothy Laboratories (Consumer Staples)

(5.6% of the portfolio)

Jyothy Laboratories (Jyothy) is a consumer company manufacturing products in fabric care, mosquito repellents and dish washing categories. It further enhanced its product basket with the acquisition of Henkel India in June 2011 acquiring brands in the detergents, toothpaste, soaps, dishwash and deodorants space. Since acquisition Jyothy has been able to successfully integrate and turn around the operations of Henkel, focusing on brand positioning and streamlining manufacturing, supply chain and distribution operations. Spearheading the transformation has been the new CEO, S.Raghunandan, who joined Jyothy in May 2012 and is highly respected in the Indian Fast Moving Consumer Goods (FMCG) industry. With the integration phase behind and a strong brand portfolio and management team in place, we see a period of sustained above market growth along with operational gearing driving earnings. Based on the closing market price on 31 December 2013, the stock trades at a price to projected FY15 earnings ratio of 17.3x.

KPIT Cummins Infosystems (IT)

(5.4% of the portfolio)

KPIT Cummins (KPIT) is a mid-sized Indian IT services company providing engineering and Enterprise Resource Planning (ERP) software and implementation services to clients in the automotive, manufacturing, energy and utilities sectors, developing capabilities through in-house research and acquisitions (10 over the last 10 years). Its relationship with Cummins Inc. (strategic investor and top client) has provided KPIT the engineering know-how to pitch to other manufacturing clients. KPIT is benefiting from the incremental role of IT in auto-manufacturing and counts six of the top 10 global auto OEMs as its clients. Due to changes in SAP technology, moving from onsite to cloud platforms, KPIT has suffered delays in deals in FY14. However, the company has since taken corrective measures and built a strong order book in SAP systems, providing good visibility for FY15. Based on the closing market price on 31 December 2013, the stock trades at a price to projected FY15 earnings ratio of 10x.

Federal Bank (Financials)
(4.4% of the portfolio)
Federal Bank is an old private sector bank with a network of over 1,100 branches and a dominant presence in the southern Indian state of Kerala. The Bank's lending is dominated by the SME (small and medium enterprises) and retail segments (30 per cent each of the loan book). The Bank has been putting in place the building blocks necessary to capitalise on an economic recovery and to transform itself from a quasi-public sector bank to a private sector bank. Having reengineered its credit underwriting process and put in place solid risk management architecture over the last 18 months, Federal Bank is now poised for the next phase of "Growth with Quality". We continue to believe that the Bank is a potential rerating story, on the back of improving profitability and growth, aided by a healthy capital position. Based on the closing market price on 31 December 2013, the stock trades at a price to projected FY15 earnings ratio of 7.4x and 0.9x projected FY15 book value.

Kajaria Ceramics (Industrials)
(4.4% of the portfolio)
Kajaria is the second largest tile manufacturer in India and a leader in North India. Market dynamics are favourable with the tile market having grown at a CAGR of 15 per cent to 16 per cent in the last five years. With tile penetration in India still very low, consumption should benefit from the housing boom and commercial developments in Tier 2 and 3 cities, along with higher consumer aspirations. On the back of this, growth is expected to continue at 15 per cent to 16 per cent CAGR over the next five years. There is also a gradual upward movement in value chain, which has led to higher realisations and margins. With its strong market positioning (No. 2 in country), Kajaria is well placed to leverage on this trend. It also has industry leading margins due to a low proportion of imports, higher sales to retail and a superior product mix. Its increasing use of Joint Venture models has enabled it to enhance its geographical footprint, which should fuel growth and improve ROCE. Based on the closing market price on 31 December 2013, the stock trades at a price to projected FY15 earnings ratio of 15.6x.

Lupin (Healthcare)
(4.0% of the portfolio)
Lupin is a pharmaceuticals manufacturer operating in the generics space, with a strong presence in its domestic market and the USA. The company has established itself in more than 70 countries with a sizeable presence in Japan, South Africa and the European Union. Lupin was the fastest growing Indian firm in the US generics market in the past two years and is now the fifth largest in terms of prescriptions. It is the market leader in 16 out of 35 launched products in the USA and has one of the largest Abbreviated New Drug Applications (ANDA) pipelines among Indian generics. It has also targeted difficult-to-formulate drugs and has successfully built a pipeline of limited competition products in the USA demonstrating its strong R&D capabilities. In India it has outpaced the market growth in domestic formulations over the past five years. Based on the closing market price on 31 December 2013, the stock trades at a price to projected FY15 earnings ratio of 20.1x.

Motherson Sumi Systems (Consumer Discretionary)
(3.8% of the portfolio)
Motherson Sumi Systems (MSSL) was established in 1986 as a JV with Sumitomo Wiring Systems Japan for supply of wiring harnesses to Maruti Suzuki. Over the years MSSL evolved as a JV specialist, having collaborations with global leaders to bring in world class technologies. MSSL acquired Visiocorp in 2009 and Peguform in 2011, allowing it to expand its global presence and to become a Tier 1 supplier of automotive components to major global OEMs. Now, MSSL is the largest manufacturer of automotive wiring harnesses (65 per cent market share) and mirrors (48 per cent market share) for passenger cars in India and one of the largest manufacturers of rear view mirrors and polymer components for passenger cars in the world. The company has been able to turn around both its subsidiaries and with rising margins, earnings growth is outpacing revenue growth. Based on the closing market price on 31 December 2013, the stock trades at a price to projected FY15 earnings ratio of 13.9x.

Jammu and Kashmir Bank (Financials)
(3.5% of the portfolio)

Jammu and Kashmir Bank, majority owned by the J&K state Government is a niche, high quality bank available at discount valuations. The bank has a virtual monopoly in its home state with a 70 per cent share in both deposits and credit. Its competitive edge comes from its branch presence across all districts in the state, leaving little room for competing banks to establish any sizeable presence in the state. The bank has tailor made products for the handicrafts and horticulture dominated economies of the state, which gives the bank net interest margins of almost 6 per cent, partly aided by the low cost deposit base. While 50 per cent of its lending is within the state, lending outside the state is concentrated on high quality corporate houses with lower asset quality risk and lower margins. Yet on a blended basis, the bank enjoys one of the highest margins at 3.9 per cent, without compromising on asset quality. With an improving J&K economy, the bank has entered a high growth phase and is well poised to sustain healthy credit growth in coming years. The Bank has some of the strongest fundamentals in the Indian Banking space - ROA of 1.6 per cent, ROE of 24 per cent, provision coverage ratio of 93 per cent and Tier 1 capital of 11.6 per cent. Based on the closing market price on 31 December 2013, the stock trades at a price to projected FY15 earnings ratio of 5.3x and 1.2x projected FY15 book value.

Idea Cellular (Telecommunications)
(3.4% of the portfolio)

Idea is India's fourth largest mobile operator with 128 million subscribers, but the third largest by revenue market share. We are positive on the telecom sector in India as we see the industry consolidating from a 15 player market to six or seven players. This is imperative as besides the top four private sector telecom companies, the majority of the smaller companies are loss making with business models we find unsustainable. Consolidation would improve both pricing and profitability of the industry. Given Idea's 2G expansions and on-going 3G rollout, the company should be able to gain market share and sustain its competitiveness. Idea is also the second most profitable listed telecom company after Bharti Airtel. Based on the closing price on 31 December, 2013, the stock trades at a price to projected FY15 earnings ratio of 21.7x.

Dewan Housing (Financials)
(3.4% of the portfolio)

Dewan Housing Finance (DHFL) is the third largest private sector housing finance company in India with a loan book of INR378bn. It was established in 1984 and over the last 25 years it has concentrated on the low to middle income segment by providing finance to low cost houses. DHFL has a strong presence in the southern and western parts of India. In 2010, DHFL acquired First Blue Home Finance to complement its existing business. First Blue gave DHFL a strong presence in the North as well as giving it access to a more affluent segment. DHFL's core strength is its distribution network and it has built a strong brand in Tier 2 and 3 cities. We are positive on the long term prospects of housing finance in India. Based on the closing price on 31 December, 2013, the stock trades at a price to projected FY15 earnings ratio of 4.3x and 0.6x projected FY15 book value.

Divi's Laboratories (Healthcare)
(3.3% of the portfolio)

Divi's Laboratories provides contract research and manufacturing services (CRAMS) to the global pharmaceutical industry. It does not develop or market any final product of its own but manufactures and supplies key ingredients to front end pharmaceutical companies, who in turn formulate and market them to the final consumers. The company undertakes custom manufacturing of active product ingredients (APIs) for innovator companies and to generic companies where it benefits from strong economies of scale. First mover advantage allows the company to capture a significant share of outsourcing by pharmaceutical innovator companies. Divi's sells APIs to a large selection of the world's top 25 "innovators", selecting products with complex chemistry, developing efficient proprietary processes to manufacture them and attempts to capture a large share of the global market for products where it can control pricing. This has helped generate the best margins in the contract manufacturing industry within India. Based on the closing price on 31 December, 2013, the stock trades at a price to projected FY15 earnings ratio of 18.3x.

Ocean Dial Asset Management
March 2014

Directors' report

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

The Company

India Capital Growth Fund Limited (the "Company") was registered in Guernsey on 11 November 2005 and is an authorised closed-ended investment company. At 31 December 2013, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited comprising the "Group". The Company was admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 22 December 2005.

Investment policy

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

Results and dividends

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

The results for the year are set out in the consolidated statement of comprehensive income on page 31.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2013 (31 December 2012: £Nil).

Substantial interests

Shareholders who at 31 December 2013 held an interest of 3 per cent or more of the Ordinary Share Capital of the Company are stated in the table below:

	NO. SHARES	% HOLDING
HSBC Global Custody Nominees (UK)	20,277,904	27.04
Nortrust Nominees Limited	11,217,579	14.96
Securities Services Nominees	5,382,000	7.18
Rathbone Nominees Limited	5,112,327	6.82
BNY (OCS) Nominees Limited	4,550,000	6.07
Harewood Nominees Limited	2,900,000	3.87
Forest Nominees Limited	2,720,000	3.63
Chase Nominees Limited	2,000,000	3.22

At 31 December 2013, the Investment Manager, Ocean Dial Asset Management Limited, and connected persons (not elsewhere disclosed), held in aggregate 658,454 (0.88 per cent) shares.

Directors

The names of the Directors of the Company, each of whom served throughout the year and to date, are set out on pages 1 and 20.

Directors' interests

At 31 December 2013, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary Shares
Fred Carr	130,000
Jamie Cayzer-Colvin	99,627
Peter Niven	25,000
John Whittle	20,000

Auditors

The Auditors, Ernst & Young LLP, have indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Ongoing Charges

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the ongoing charges ratio of the Group for the year ended 31 December 2013 was 2.75 per cent. (excluding exceptional costs) (31.12.12: 2.76 per cent.). No performance fees were charged during the year.

Corporate governance

The AIC Code of Corporate Governance (the "AIC Code") was updated in February 2013 following the revised corporate governance code issued by the UK Financial Reporting Council in September 2012. It is designed to provide Boards of its member investment companies with a framework of best practice in respect of the governance of investment companies. The Company's shares are quoted on AIM, and as such the Company is not formally required to comply with the UK Code. However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained. Accordingly the Board considers that it should seek to comply with the UK Code by reporting against the principles of the AIC Code.

The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission ("GFSC"). Companies reporting against the UK Corporate Governance Code or the AIC Code are deemed to comply with the GFSC Code.

Corporate governance principles

The Board considers that it has complied with the AIC Code during the year ended 31 December 2013 subject to the exceptions explained below.

The Board

The Board comprises the Chairman and four non-executive Directors; biographical details of each are set out on page 20. All members of the Board, including the Chairman, are independent of the Investment Manager and there are no common directorships between members of the Board. Jamie Cayzer-Colvin was, until the sale of the Investment Manager by Caledonia Investments plc to Ocean Dial Investment Company (Singapore) Private Limited ("ODICS") in May 2013, deemed to be a non-independent member of the Board. The current situation is that he remains a director of another investment company which uses the same Investment Manager.

There is no provision in the Company's Articles of Incorporation which requires Directors to seek re-election on a periodic basis, and only Directors appointed to fill a casual vacancy seek re-election at the AGM immediately following their appointment. There is no limit on length of service, nor is there any upper age restriction on Directors. The Board considers that there is significant benefit to the Company arising from continuity and experience among Directors, and accordingly does not intend to introduce restrictions based on age or tenure. It does however believe that shareholders should be given the opportunity to review membership of the Board on a regular basis. The Board has thus resolved that, in addition to the Articles requirement for re-election at the AGM immediately following appointment, any Director who has served for more than nine years should offer him or herself for re-election annually, and that one third of the remaining Directors should retire by rotation at each AGM and be eligible to seek re-election.

Chairman, Senior Independent Director and Chief Executive

The Chairman of the Board is Fred Carr. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence, and has determined that Mr Carr is an Independent Director. As the Chairman is an Independent Director, no appointment of a senior Independent Director has been made. The Company has no employees and therefore there is no requirement for a chief executive.

Board Meetings

The Board generally meets on at least four occasions each year, at which time the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company.

Board meetings, Committee meetings and Directors' attendance

During the year the Directors in attendance at meetings were as listed in the table below:

	Board Meetings		Audit Committee	
	Held	Attended	Held	Attended
Fred Carr (Chairman)	4	4	2	N/A
Jamie Cayzer-Colvin	4	3	2	N/A
Vikram Kaushik	4	4	2	N/A
Peter Niven	4	4	2	2
John Whittle	4	3	2	2

In addition to the four formal Board meetings held during the year, one committee meeting and two audit committee meetings were held at which only two Directors were required to attend.

Performance evaluation

On an annual basis the Board formally considers its effectiveness as a Board, the balance of skills represented and the composition and performance of its committees. The Board considers that it has an appropriate balance of skills and experience in relation to the activities of the Company. The Chairman evaluates the performance of each of the Directors on an annual basis, taking into account the effectiveness of their contributions and their commitment to the role. The most recent performance review took place in September 2013. The performance and contribution of the Chairman is reviewed by the other Directors under the leadership of the Chairman of the Audit Committee. The conclusion of the 2013 review was that the skill sets of the members of the Board were complementary, and that the Board functioned effectively.

Nomination committee

The size and independence of the Board is such that it fulfils the role of the Nomination Committee. Any proposal for a new director is discussed and approved by the Board. The Board will determine whether in future an external search consultancy or open advertising is used in the appointment of non-executive directors.

Remuneration committee

As all the Directors are non-executive, the Board has resolved that it is not appropriate to form a remuneration committee and remuneration is reviewed annually and discussed by the Board as a whole with independent input.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Audit committee

The members of the Company's Audit Committee are listed on page 23. The Audit Committee conducts formal meetings throughout the year for the purpose, amongst others, of considering the appointment, independence, effectiveness of the audit and remuneration of the auditors and to review and recommend the annual statutory accounts and interim report to the full Board. Full details of its functions and activities are set out in the Report of the Audit Committee on pages 23 to 25.

Risk Management and Internal control

The Board is responsible for establishing and maintaining the Company's system of internal control and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board also considers the process for identifying, evaluating and managing any significant risks faced by the Company. At each quarterly meeting of the Board a report on the control environment and risk assessment is presented and considered. Changes in the risk environment are highlighted as are changes in the controls in force to manage or mitigate those risks. The Board is satisfied that appropriate controls are in place in relation to the key risks faced by the business.

Supply of information to the Board

Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance and compliance. A representative of the Investment Manager attends each Board meeting thus enabling the Board to discuss fully and review the Company's operation and performance. Each Director has direct access to the Company Secretary, and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Delegation of functions

The Board has contractually delegated various functions as listed below, to external parties. Each of these contracts have been entered into after full and proper consideration by the Board, mindful of the quality and cost of services offered, including the control systems in operation as far as they relate to the affairs of the Company. The duties of investment management, accounting and custody are segregated.

- Investment Management is provided by Ocean Dial Asset Management Limited, a company authorised and regulated in the United Kingdom by the Financial Conduct Authority.
- Administration and Company Secretarial duties for the Company during the year were performed by Northern Trust International Fund Administration Services (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission. Those for the subsidiary were performed by International Financial Services Limited, a company registered in Mauritius and licensed by the Financial Services Commission in Mauritius. Northern Trust International Fund Administration Services (Guernsey) Limited and International Financial Services Limited resigned effective 31 December 2013 and APEX Fund Services (Guernsey) Limited and APEX Fund Services (Mauritius) Limited were appointed as administrators of the Group effective 1 January 2014.
- Custody of assets is undertaken by SBI-SG Global Securities Services Private Limited (transferred from HSBC Group on 29 November 2013).

The Board has instituted a formal annual review of the performance of all material external service providers and of the related contractual terms.

Investment management

The Investment Manager is entitled to receive a management fee payable jointly by the Company and the Mauritian subsidiary, ICG Q Limited, equivalent to 1.5 per cent per annum of the Company's Total Assets, calculated and payable monthly in arrears. The Company's Total Assets consists of the aggregate value of the Company less current liabilities. For purposes of the calculation of these fees current liabiilties exclude any proportion of principal amounts borrowed for investment and any performance fees payable to the Investment Manager.

The Investment Manager is also entitled to receive a semi-annual performance related fee from the Company if the Net Asset Value per Share at the end of the half-year performance period (a) exceeds the Net Asset Value per Share at the start of the performance period by an annualised, annually compounded, rate of more than 10 per cent (the "Performance Hurdle") and (b) exceeds by an annualised, annually compounded, rate of more than 10 per cent the highest previously recorded Net Asset Value per Share at the end of the performance period in respect of which a performance fee was last paid (the "High Water Mark"). The performance fee will be an amount equal to 20 per cent of the aggregate increase in the Net Asset Value above the High Water Mark. 50 per cent of any performance fee payable (net of all attributable taxes) is required to be reinvested in Ordinary Shares. Details of performance fees paid, and of shares acquired by the Investment Manager and related parties is set out in Note 13. At 31 December 2013, the High Water Mark was 308.71 pence per Share compared to a Net Asset Value per Share of 46.47 pence.

No separate Management Engagement Committee has been constituted as the monitoring of management is considered a primary function of the Board. The Board as a whole reviews the performance of the Investment Manager at each quarterly Board Meeting and considers whether the investment strategy utilised is likely to achieve the Company's investment objective. Having considered the portfolio performance and investment strategy, the Board has agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed.

The Investment Management Agreement continues in force until determined by the Investment Manager or the Company giving not less than 12 months notice to the other party.

From time to time the extent of powers delegated to the Investment Manager and matters upon which decision making is reserved to the Board. In particular, the approval of the Board (or a designated committee) is required in relation to:

- Borrowings (other than on a temporary basis);
- Investment in unlisted securities (other than those arising on a temporary basis from demergers from existing listed holdings);
- Exercise of share buy-back powers;
- Policy on currency hedging.

The Investment Manager reports to the Board on a semi-annual basis on brokers used for executing trades and the commission paid to brokers analysed between brokerage and research services. The Investment Manager does not use commissions paid by the Company to pay for services used by the Investment Manager other than directly related research services provided by the broker. There is a procedure in place whereby any prospective conflict of interest is reported by the Investment Manager to the Chairman and a procedure to manage the prospective conflict agreed. The Investment Manager's policy on conflicts is reviewed by the Board annually.

The provisions of the UK Stewardship Code do not apply to the Company as all investments are outside the United Kingdom. The Board has delegated to the Investment Manager the power to vote in relation to the Group's holdings in Indian listed companies.

Ocean Dial Asset Management Limited (the "Investment Manager") is a UK subsidiary of Ocean Dial Investment Company (Singapore) Private Limited ("ODICS"). On 8 April 2013, an agreement was signed for the acquisition of the Investment Manager by ODICS from Caledonia Investments Plc. The acquisition was approved by the Financial Conduct Authority on 21 May 2013. Following the acquisition, the Investment Manager continues to manage the Group.

Foreign Account Tax Compliance Act ("FATCA") and Inter-Governmental Agreements ("IGA")

The US FATCA legislation is aimed at determining the US ownership of assets in foreign accounts and thereby improving US tax compliance with respect to those assets. The States of Guernsey has entered into an IGA with the US Treasury in order to facilitate the requirements under FATCA and released draft guidance notes on 31 January 2014 with regard to the implementation of the IGA. Currently, the implementation of the US FATCA has been delayed until June 2014 and the Board is monitoring implementation with the assistance of its legal advisers and accountants.

In addition, the States of Guernsey signed an IGA with the UK on 22 October 2013, under which mandatory disclosure requirements will be required in respect of Shareholders who have a UK connection.

Shareholder communications

A report on Shareholder communications is considered at each quarterly Board Meeting. A monthly Fact Sheet is published on the Company's website reporting the month-end Net Asset Value and with a commentary on performance. In addition, the Investment Manager reports a weekly estimated, unaudited Net Asset Value. The Investment Manager and the Corporate Broker maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board. In addition, Board members are available to answer shareholders' questions at any time, and specifically at the Annual General Meeting. The Company Secretary is available to answer general shareholder queries at any time during the year. The Board monitors activity in the Company's shares and the discount or premium to net asset value at which the shares trade both in absolute terms and relative to the Company's peers. The Company has the power to buy-back shares in the market, the renewal of which power is sought from shareholders on an annual basis, and the Board considers on a regular basis the exercise of those powers. The Board did not consider it appropriate to exercise such powers in 2013.

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 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.

Approved by the Board of Directors and signed on behalf of the Board on 14 March 2014.

Peter Niven

John Whittle

Statement of Directors' Responsibility in respect of the Annual Audited Consolidated Financial Statements

The Directors are responsible for preparing the Directors' Report and the Consolidated Financial Statements in accordance with applicable laws.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Consolidated Financial Statements in conformity with International Financial Reporting Standards ("IFRS"), as adopted by the EU and applicable law.

The Consolidated Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Consolidated Financial Statements the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Consolidated Financial Statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

We confirm to the best of our knowledge that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information;
- these Consolidated Financial Statements have been prepared in conformity with IFRS and give a true and fair view of the financial position of the Company; and
- this Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy; and
- this Annual Report and Accounts includes information detailed in the Chairman's Statement, the Directors' Report, the Investment Manager's Report and the notes to the Financial Statements, which provides a fair view of the information required by:-

(a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Group's business and a description of the principal risks and uncertainties facing the Group; and

(b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Group.

Signed on behalf of the Board by:

Peter Niven

John Whittle

14 March 2014

Directors

The Directors as at 31 December 2013, all of whom are non-executive, are as follows:

Fred Carr (Chairman)

Aged 68, was appointed to the Board as Chairman on 17 September 2009. He spent his career in stockbroking and investment management, ultimately (1993 - 2004) as Chief Executive of Carr Sheppards Crosthwaite. He is Chairman of M&G High Income Investment Trust Plc. He is also a Fellow of the Chartered Institute of Securities and Investment, and is resident in the UK.

Jamie Cayzer-Colvin

Aged 48, was appointed to the Board on the 22 November 2005. He joined the Caledonia group in 1995 and became an executive director in 2005. He is Chairman of the Henderson Smaller Companies Investment Trust and non - executive director of Polar Capital Holdings and a number of other private companies and funds. He is a resident in the UK.

Vikram Kaushik

Aged 63, was appointed to the Board on 14 June 2012. He is a resident of India where he has worked throughout his career. He initially spent more than 16 years working for Unilever before being appointed Managing Director of Enterprise Advertising Agency and then Vice President of Britannia Industries. In 1999 he was appointed a Director of Colgate Palmolive and then in 2004 he was appointed Managing Director & CEO of Tata Sky. Mr. Kaushik retired from Tata Sky recently and now consults with PricewaterhouseCoopers and is advisor to Voltas, a Tata Group company. He is also a Director of MTS and an independent Director on the Board of Vaibhav Global Limited. He has served on the Government Committee for Restructuring Public Service Broadcasting in India and on the Sectoral Committee for Innovation in Media set up by the Prime Minister's Office in India.

Peter Niven

Aged 59, was appointed to the Board on 11 August 2011. He has over 35 years' experience in the financial services industry both in the UK and offshore. He was a senior executive in the Lloyds TSB Group until his retirement in 2004 and until July 2012 was the Chief Executive of Guernsey Finance LBG, promoting the island as a financial services destination. He is a non-executive director of Dexion Trading Limited, F&C Commercial Property Finance Limited, F&C Commercial Property Trust Limited and other Guernsey based companies in the financial services field. He is a Fellow of the Chartered Institute of Bankers and a Chartered Director. He is a resident of Guernsey.

John Whittle

Aged 58, was appointed to the Board on 17 November 2011. He is a Chartered Accountant and holds the IoD Diploma in Company Direction. He is a non-executive director of International Public Partnerships Ltd (FTSE 250), Starwood European Real Estate Finance Ltd (LSE), Globalworth Real Estate Investments Ltd and Advance Frontier Markets Fund Ltd (AIM). He also acts as non executive director to several other Guernsey investment funds. He was previously Finance Director of Close Fund Services, a large independent fund administrator. Prior to moving to Guernsey he was at Pricewaterhouse in London before embarking on a career in business services, predominantly telecoms. He is a resident of Guernsey.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The following summarises the Directors' directorships in other public companies:

	COMPANY NAME	STOCK EXCHANGE
Fred Carr		
	M&G High Income Investment Trust Plc	London
Jamie Cayzer-Colvin		
	Caledonia Investments Plc	London
	Ocean Dial Investment Funds Plc	Ireland
	Polar Capital Funds Plc	London
	Polar Capital Holdings	London
	The Henderson Small Companies Investment Trust Plc	London
Vikram Kaushik		
	None	
Peter Niven		
	Dexion Trading Limited	London
	F&C Commercial Property Finance Limited	London
	F&C Commercial Property Trust Limited	London
	Guernsey Portfolios PCC Limited	CISE
John Whittle		
	Advance Frontier Markets Fund Limited	AIM
	Globalworth Real Estate Investments Limited	AIM
	The Solar Park Fund (GBP) IC Limited	CISE
	Starwood European Real Estate Finance Limited	London
	International Public Partnerships Ltd	London

Unaudited Directors' Remuneration Report

Introduction

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to the Shareholders at the next Annual General Meeting.

Remuneration Policy

Since all Directors are non-executive, the Company has not established a Remuneration Committee.

The Company's Articles of Incorporation provide that unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two and the aggregate remuneration of all Directors in any twelve month period, or pro rata for any lesser period shall not exceed £100,000 or such higher amount as may be approved by ordinary resolution. The level of Directors' fees is determined by the whole Board on an annual basis. When considering the level of Directors' remuneration the Board considers the industry standard and the level of work that is undertaken.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

The Board shall have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, provided that no person shall be appointed as a Director under any provision of the Articles if his appointment would cause or permit the aggregate of the number of Directors resident in the United Kingdom or the United States for the purposes of United Kingdom or United States taxation, as the case may be, to constitute a majority of Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Remuneration

For the year ended 31 December 2013 and 31 December 2012, the Directors' fees were as follows:

	2013 £	2012 £
Fred Carr (Chairman)	25,000	25,000
Jamie Cayzer-Colvin	16,000	16,000
Vikram Kaushik (appointed 14 June 2012)	18,000	10,000
Peter Niven	19,000	19,000
John Whittle	16,000	16,000
Ashok Dayal (resigned 14 June 2012)	Nil	8,000

No additional sums were paid in the year to Directors for work on behalf of the Company outside their normal duties. None of the Directors had a service contract with the Company during the year and accordingly a Director is not entitled to any minimum period of notice or to compensation in the event of their removal as a Director.

Signed on behalf of the Board by:

Peter Niven **John Whittle**

14 March 2014

Report of the Audit Committee

Introduction

On the following pages, we present the Audit Committee (the "Committee") Report for 2013. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the independent auditor and the internal control and risk management systems of service providers.

Structure and Composition

The Committee is chaired by Peter Niven and the other member is John Whittle.

The Chairman of the Committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chairman of the Committee. The Committee shall have a minimum of two members. All members of the Committee shall be independent non-executive directors with relevant financial experience.

The Audit Committee conducts formal meetings at least twice a year, normally immediately preceding the Board meetings at which the financial statements for the half-year and year end are reviewed. Only members of the Committee have the right to attend meetings although, with the consent of the Chairman of the Committee, other directors may be in attendance. The table on page 15 sets out the number of Audit Committee meetings held during the year ended 31 December 2013 and the number of such meetings attended by each committee member and other members of the Board. The independent auditor is invited to attend those meetings at which the annual and interim reports are considered. The independent auditor and the Committee may meet together without representatives of either the Administrator or Manager being present if either considers this to be necessary.

Principal Duties of the Committee

The role of the Committee includes:

- monitoring the intergrity of the consolidated financial statements and any formal announcements regarding financial performance;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Company's published financial statements, (having regard to matters communicated by the independent auditors) preliminary announcement and other financial information;
- reviewing the effectiveness of the external audit process and the auditors' independence;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's independent auditor; and
- reviewing arrangements by which persons associated with the key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate proportionate independent investigation of such matters is undertaken;
- assessing whether the annual report and accounts taken as a whole, is fair, balanced and understandable.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, which can be obtained from the Company's website.

Independent Auditor

Ernst & Young LLP has been the independent auditor from the date of the initial listing on the AIM Market of the London Stock Exchange. Christopher James Matthews is the team leader and opinion signatory. At the Company's Annual General Meeting on 18 June 2013, Ernst & Young LLP was re-appointed.

The recent revisions to the UK Corporate Governance Code introduced a recommendation that the independent audit of FTSE 350 companies be put out to tender every ten years. Similary, the EU and the Competition Commission have also issued draft requirements to tender every 10 years and extend for a maximum of further 10 years before mandatory rotation, which is yet to be finalised. The Committee will follow the developments around the FRC, EU and Competition Commission guidance on tendering at the appropriate time.

The independence and objectivity of the independent auditor is reviewed by the Audit Committee which also reviews the terms under which the independent auditor is appointed to perform non-audit services. The outsourcing of any non-audit service to the indepedent auditors requires prior Committee approval where fees for the service are in excess of £10,000 cumulative over the financial year.

As a general rule, the Company does not utilise the independent auditors for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted relative to the established non-audit services policy of the Company.

Report of the Audit Committee (continued)

Evaluations during the year

The following assessments have been made by the Committee during the year:

Significant Financial Statement Issues

- Liquidity and Valuation - The ongoing liquidity of the Group's investment portfolio was evaluated, which included a review of both financial and relative non-financial information. Based on the review, the portfolio was assessed to be relatively liquid, with the exception of one investment that is unlisted, which is currently disclosed separately in the financial statements. The valuation of this non-liquid investment has been derived using an earnings multiple based on the average prevailing multiples of similar companies. A 25% discount has also been applied given that the company is unlisted and is of a smaller than average size. This methodology has resulted in a very small value and due to the potential uncertain nature of future earnings, the value is deemed to be immaterial and has been maintained at £Nil value. This valuation has been reviewed and the Committee is satisfied for the valuation to remain at £Nil as in previous years.
- New requirements - During the year, the Committee has also assessed the financial reporting impact of the new AIC requirements. The major changes include the Committee's assessment that the financial statements are fair, balanced and understandable and to report to the Board on the significant issues in relation to the financial statements, its assessment of the external audit process and its approach in reviewing the independent auditor's independence and objectivity. The Committee, after consultation with independent auditors, has updated the terms of reference, updated the relevant disclosures in the Annual Report and included this new Report of the Audit Committee.
- Other professional fees - During the year, the Group incurred costs amounting to £72,500 in relation to the abortive issue of subscription shares, the costs comprising mostly legal and consultancy fees. The Commitee has reviewed the price quotations of various service providers and have satisfied themselves for the costs' reasonability in relation to the services rendered. Towards the end of the year, the proposal for the issuance of these shares were discontinued.

The foregoing matters were discussed during the planning and final stage of the audit and there were no significant disagreements between the management and the independent auditor.

Effectiveness of the External Audit Process

The Committee had formal meetings with Ernst & Young LLP during the course of the year: 1) at the review and approval of the year end accounts, which included planning discussion for the next half-year accounts; 2) at the review and approval of the half-year accounts, which included planning discussion for the next annual accounts; and 3) at the year end to discuss the new AIC requirements. The Committee performed the following in relation to its review of the effectiveness and independence of Ernst & Young LLP:

- Reviewed the audit plan presented to the Committee before the start of the audit.
- Reviewed the post audit report.
- Monitored changes to audit personnel.
- Reviewed the auditors' own internal procedures to identify threats to independence, which included obtaining confirmation from Ernst & Young LLP of their independence.
- Discussed with both the Manager and the Administrator for any feedback on the external audit process.
- Reviewed and approved terms of the engagement of both the audit and non-audit services during the year, which included an evaluation of the relating fees.

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

There were no significant findings from the evaluation this year and the Committee is satisfied that the external audit process is effective.

Audit fees and Non-audit Services

The table below summarises the remuneration paid by the Company to Ernst & Young LLP:

	2013 £	2012 £
Annual Audit	18,000	29,750
Half-Year Review	–	11,400
Other Assurance Based Procedures	2,500	–

India Capital Growth Fund

The Committee undertook an audit tender process in 2013. Consequently audit costs this year have been reduced and the Interim Review process has been changed. Ernst & Young LLP was engaged to perform other assurance based procedures instead of a half-year review. The majority of the scope of these procedures included a review of the interim accounts in relation to IFRS presentation and disclosure requirements and review of the accounting policies used to assess consistency with the annual accounts, taking into account any new IFRS standards applicable.

The annual budget for both the audit and non-audit related services were presented to the Committee for approval. The fees for the Annual Audit includes fees in relation to the audit of the Company's subsidiary, ICG Q Limited, amounting to £5,500 and £7,000 in 2013 and 2012, respectively. The Committee does not consider that the provision of the above non-audit services is a threat to the objectivity and independence of the audit, after reviewing the terms of the engagement letters and obtaining independence confirmation from Ernst & Young LLP. Further, the services performed on the interim accounts were not considered prohibited services as defined in the Company's non-audit services policy.

Internal Control

The Audit Committee has examined the need for an internal audit function. The Audit Committee considered that the systems and procedures employed by the Manager and the Administrator, provided sufficient assurance that a sound system of internal control, which safeguards the Company's assets, has been maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit Committee examined externally prepared assessments of the control environment in place at the Manager and the Administrator with the latter providing a SOC1 report.

During the year, the Committee has also participated in the smooth transition of the Group's administration and secretarial services to APEX Fund Services (Guernsey) Limited and APEX Fund Services (Mauritius) Limited (together "APEX") by reviewing new agreements and evaluating APEX's policies, procedures and controls to ensure they meet the requirements of the Group.

Conclusion and Recommendation

After consultations with Ernst & Young LLP as necessary and reviewing various reports from the Manager such as the quarterly performance reports and portfolio attribution and portfolio turnover reporting and assessing the significant financial statement issues listed on page 21, the Audit Committee is satisfied that the Consolidated Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee further concludes that the Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's performance, business model and strategy.

At the conclusion of the external audit process, Ernst & Young reported to the Committee that no material misstatements were found in the course of its work. Furthermore, both the Manager and the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

Following the detailed review and evaluation processes identified in this report, the Committee has concluded that the auditors have acted independently in the work undertaken on behalf of the Company and has recommended to the Board that Ernst & Young LLP be reappointed for the coming financial year.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each Annual General Meeting to respond to such questions.

Peter Niven
Audit Committee Chairman
14 March 2014

Independent auditors' report

To the members of India Capital Growth Fund Limited

We have audited the consolidated financial statements of India Capital Growth Fund Limited (the "Company") and its subsidiary (together the "Group") for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that we believed would have the greatest impact on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- valuation of the Group's investments; and
- measurement of fees payable to the Investment Manager

Our application of materiality

We apply the concept of materiality to the individual account or balance level through our determination of performance materiality, which is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

We determined materiality for the Group to be £350,000, which is approximately 1% of Equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% of materiality, namely £260,000. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £17,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

As the Group's investment portfolio is held by the Company's wholly owned subsidiary, the audit work in respect of the valuation of the Group's investments was conducted by the component audit team (Ernst & Young Mauritius) under the guidance of, and reviewed by, the primary audit team.

Our response to the risks identified above was as follows;

- we agreed year end prices for quoted investments to an independent source;
- we checked the level of trading in portfolio investments around the year end date to independent sources to assess liquidity and appropriateness of quoted prices;
- we challenged the appropriateness of valuation techniques applied to the Group's sole unquoted investment, and obtained evidence supporting the inputs into the valuation model; and
- we re-calculated management and performance fees payable to the Investment Manager by reference to the terms of the Investment Management Agreement.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited consolidated financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies (Guernsey) Law 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP
Guernsey, Channel Islands
Date: 14 March 2014

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

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

Principal group investments

As at 31 December 2013

HOLDING	TYPE	SECTOR	VALUE £000's	% OF PORTFOLIO
Jyothy Laboratories Limited	Mid Cap	Consumer staples	1,939	5.56
KPIT Cummins Infosystems Limited	Mid Cap	IT	1,899	5.45
Federal Bank Limited	Mid Cap	Financials	1,542	4.43
Kajaria Ceramics Limited	Mid Cap	Industrials	1,531	4.39
Lupin Limited	Large Cap	Healthcare	1,380	3.96
Motherson Sumi Systems Limited	Large Cap	Consumer discretionary	1,324	3.80
The Jammu & Kashmir Bank Limited	Mid Cap	Financials	1,232	3.53
Idea Cellular Limited	Large Cap	Telecommunications	1,199	3.44
Dewan Housing Finance Corporation Limited	Mid Cap	Financials	1,192	3.42
Divi's Laboratories Limited	Large Cap	Healthcare	1,168	3.34
NIIT Technologies Limited	Mid Cap	IT	1,114	3.19
Larsen & Toubro Limited	Large Cap	Industrials	1,089	3.11
IPCA Laboratories Limited	Mid Cap	Healthcare	1,081	3.09
Eicher Motors Limited	Large Cap	Industrials	1,078	3.08
Dish TV India Limited	Mid Cap	Consumer discretionary	1,060	3.05
Voltas Limited	Mid Cap	Industrials	1,000	2.88
Yes Bank Limited	Large Cap	Financials	980	2.82
Emami Limited	Large Cap	Consumer staples	976	2.81
Tech Mahindra Limited	Large Cap	IT	964	2.78
Max India Limited	Mid Cap	Industrials	932	2.68
Total top 20 equity investments			**24,680**	**70.81**
Other Small Cap	(2 companies)		615	1.76
Other Mid Cap	(8 companies)		5,190	14.89
Other Large Cap	(3 companies)		2,394	6.87
Other Unlisted	(1 company)		–	–
Other Cash	(1 company)		839	2.41
Total equity investments			**33,718**	**96.74**
Cash less other net current liabilities			1,315	3.26
Total Portfolio			**34,853**	**100.00**

Note:
Large Cap comprises companies with a market capitalisation above INR 100 billion (£0.98 billion)
Mid Cap comprises companies with a market capitalisation between INR 15 billion and INR 100 billion (£147 million – £0.98 billion)
Small Cap comprises companies with a market capitalisation below INR 15 billion (£147 million)

Portfolio statement

As at 31 December 2013

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Listed Securities			
Consumer discretionary			
Dish TV India Limited	1,783,212	1,060	3.05
Motherson Sumi Systems Limited	740,250	1,324	3.80
		2,384	6.85
Consumer staples			
Dabur India Limited	387,640	647	1.86
Emami Limited	210,000	976	2.81
Jyothy Laboratories Limited	1,042,368	1,939	5.56
		3,562	10.23
Energy			
Cairn India Limited	262,000	832	2.39
Petronet LNG Limited	586,000	701	2.01
		1,533	4.40
Financials			
Arihant Foundations & Housing Limited	592,400	164	0.47
Dewan Housing Finance Corporation Limited	570,890	1,192	3.42
Federal Bank Limited	1,871,250	1,542	4.43
Indian Bank	522,413	595	1.71
Indusind Bank Limited	222,000	916	2.63
The Jammu & Kashmir Bank Limited	87,500	1,232	3.53
Manappuram General Finance & Leasing Limited	2,941,676	451	1.29
Sobha Developers Limited	285,768	874	2.51
Yes Bank Limited	270,000	980	2.82
		7,946	22.81
Healthcare			
Divi's Laboratories Limited	97,550	1,168	3.34
IPCA Laboratories Limited	152,175	1,081	3.09
Lupin Limited	155,000	1,380	3.96
		3,629	10.39
Industrials			
Eicher Motors Limited	22,105	1,078	3.08
Jain Irrigation Systems Limited	1,013,293	722	2.08
Kajaria Ceramics Limited	500,000	1,531	4.39
Larsen & Toubro Limited	103,800	1,089	3.11
Max India Limited	440,000	932	2.68
Voltas Limited	878,627	1,000	2.88
		6,352	18.22

India Capital Growth Fund

Portfolio statement (continued)

As at 31 December 2013

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
IT			
KPIT Cummins Infosystems Limited	1,130,134	1,899	5.45
MindTree Limited	26,312	394	1.14
NIT Technologies Limited	314,723	1,114	3.19
Tech Mahindra Limited	53,528	964	2.78
		4,371	12.56
Materials			
Berger Paints (I) Limited	400,000	880	2.51
P.I. Industries Limited	343,505	834	2.39
The Ramco Cements Limited	100,740	189	0.54
		1,903	5.44
Telecommunications			
Idea Cellular Limited	733,000	1,199	3.44
		1,199	3.44
Cash			
SBI Premier Liquid Fund Direct Plan Growth	43,373	839	2.40
		839	2.40
Total listed securities		**33,718**	**96.74**
Unlisted Securities			
IT			
CitiXsys Technologies Private Limited	817,650	–	–
Total unlisted securities		**–**	**–**
Total investments		**33,718**	**96.74**
Cash less other net current assets		**1,135**	**3.26**
Total Portfolio		**34,853**	**100.00**

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	NOTES	REVENUE £000	CAPITAL £000	YEAR TO 31.12.13 TOTAL £000	YEAR TO 31.12.12 TOTAL £000
Income					
Investment income		548	–	548	537
		548	**–**	**548**	**537**
Net (losses)/gains on financial assets at fair value through profit or loss					
Market movements	3	–	1,517	1,517	11,984
Foreign exchange movements	3	–	(4,204)	(4,204)	(2,684)
		–	**(2,687)**	**(2,687)**	**9,300**
Total (expense)/income		**548**	**(2,687)**	**(2,139)**	**9,837**
Expenses					
Management fee	14	(522)	–	(522)	(531)
Other expenses	4	(444)	–	(444)	(446)
Foreign exchange losses		(332)	–	(332)	(41)
Other professional fees	4	(72)	–	(72)	–
Cost of acquisition and disposal of investments		–	(30)	(30)	(124)
Total expenses		**(1,370)**	**(30)**	**(1,400)**	**(1,142)**
(Loss)/profit for the year before taxation		(822)	(2,717)	(3,539)	8,695
Taxation	7	–	–	–	–
(Loss)/profit for the year after taxation		**(822)**	**(2,717)**	**(3,539)**	**8,695**
(Loss)/earnings per Ordinary Share (pence)	5	(1.10)	(3.62)	(4.72)	11.59

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with IFRS as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

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

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

The notes on pages 35 to 46 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2013

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2013		750	(28,896)	(1,385)	(4,955)	72,878	38,392
(Loss)/gain on investments	3	–	(1,004)	2,521	–	–	1,517
Revenue loss for the year after taxation		–	–	–	(822)	–	(822)
Cost of acquisition and disposal of investments		–	(16)	(14)	–	–	(30)
Loss on foreign currency		–	(1,114)	(3,090)	–	–	(4,204)
Balance as at 31 December 2013		**750**	**(31,030)**	**(1,968)**	**(5,777)**	**72,878**	**34,853**

For the year ended 31 December 2012

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2012		750	(24,031)	(15,426)	(4,474)	72,878	29,697
Loss/gain on investments	3	–	(2,810)	14,794	–	–	11,984
Revenue loss for the year after taxation (excluding foreign exchange losses)		–	–	–	(481)	–	(481)
Cost of acquisition and disposal of investments		–	(53)	(71)	–	–	(124)
Loss on foreign currency		–	(2,002)	(682)	–	–	(2,684)
Balance as at 31 December 2012		**750**	**(28,896)**	**(1,385)**	**(4,955)**	**72,878**	**38,392**

The notes on pages 35 to 46 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2013

	NOTES	31.12.13 £000	31.12.12 £000
Non-current assets			
Financial assets designated at fair value through profit or loss	6	33,718	36,487
Current assets			
Cash and cash equivalents		1,329	2,020
Receivables	8	16	25
		1,345	2,045
Current liabilities			
Payables	9	(210)	(140)
Net current assets		1,135	1,905
Total assets less current liabilities		34,853	38,392
Equity			
Ordinary share capital	11	750	750
Reserves		34,103	37,642
Total equity		34,853	38,392
Number of Ordinary Shares in issue		**75,001,463**	**75,001,463**
Net Asset Value per Ordinary Share (pence)		**46.47**	**51.19**

The audited consolidated condensed financial statements on pages 31 to 46 were approved by the Board of Directors on 14 March 2014 and signed on its behalf by:

Peter Niven

John Whittle

The notes on pages 35 to 46 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013

	NOTES	YEAR TO 31.12.13 £000	YEAR TO TO 31.12.12 £000
Cash flows from operating activities			
Investment income		548	537
Management fee		(526)	(520)
Other cash payments		(397)	(308)
Net cash outflow from operating activities		**(375)**	**(291)**
Cash flows from investing activities			
Purchase of investments		(6,077)	(21,220)
Sale of investments		6,159	15,961
Transaction charges relating to the purchase and sale of investments		(30)	(124)
Net cash inflow/(outflow) from investing activities		**52**	**(5,383)**
Net decrease in cash and cash equivalents during the year		(323)	(5,674)
Cash and cash equivalents at the start of the year		2,020	7,865
Exchange losses on cash and cash equivalents		(368)	(171)
Cash and cash equivalents at end of the year		**1,329**	**2,020**

The notes on pages 35 to 46 form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2013

1. Accounting Policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB). IFRS require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The most significant estimates relate to the valuation of unlisted investments. Actual results may differ from these estimates.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for Investment Trusts issued by the Association of Investment Companies (AIC) in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. In particular, supplementary information which analyses the statement of comprehensive income between items of a revenue and capital nature has been presented alongside the consolidated statement of comprehensive income.

Basis of preparation

The consolidated financial statements for the year ended 31 December 2013 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Group's investments to fair value.

Basis of consolidation

Subsidiary (ICG Q Limited) is consolidated in full from the date of acquisition, being the date on which the Group obtained control and will continue to do so until such control ceases. The financial statements of the subsidiary are prepared using accounting policies consistent with accounting policies of the Company. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Income

Income including bank interest and fixed deposit interest is accounted for on an accruals basis. Dividends receivable are classified as investment income and taken to the Consolidated Statement of Comprehensive Income when the relevant security is quoted ex-dividend.

Expenses

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

Taxation

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

1. Accounting Policies (continued)

Investments

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

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

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

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

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

IFRS 13, applicable for the first time in these financial statements, from 1 January 2013, establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these required disclosures are included in Note 12.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

Foreign currency translation

The Company's Shares are denominated in Sterling and the majority of its expenses are incurred in Sterling. Accordingly, the Board has determined that the functional currency for the Group is Sterling. Sterling is also the presentation currency of the financial statements. Monetary foreign currency assets and liabilities, including investments at fair value through profit or loss, are translated into Sterling at the rate of exchange ruling at the statement of financial position date. Investment transactions and income and expenditure items are translated at the rate of exchange ruling at the date of the transactions and these translation differences are reported as part of net gains/(losses) on financial assets at fair value through profit or loss in the Consolidated Statement of Comprehensive Income under capital.

All other gains and losses on foreign exchange are included in the consolidated statement of comprehensive income under revenue.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2013

1. Accounting Policies (continued)

Cash and cash equivalents

Cash comprises cash in hand, overdrafts and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant changes in value.

Standards, interpretations and amendments to published statements not yet effective

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

IFRS 10 - Consolidated Financial Statements, IAS 27 Separate Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities - are effective for periods beginning on or after 1 January 2013. IFRS 10, IFRS 12 and IAS 27 have been endorsed in the EU for periods after 1 January 2014. The Board is currently assessing the impact on the financial statements of the Company.

IFRS 9 - Financial instruments addresses the classification and movement of financial assets. IFRS 9 currently has no mandatory effective date, however the IASB has tentatively proposed 1 January 2018. The Board is currently assessing the impact on the financial statements of the Company.

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

2. 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 most significant estimates relate to the valuation of unlisted investments. Actual results may differ from these estimates. The Company's valuation of the Group's one unlisted investment, CitiXsys, remains at nil which is consistent with the prior year.

The Group 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 13.

For the year ended 31 December 2013

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

	Year to 31.12.13 £000	Year to 31.12.12 £000
Realised loss		
Proceeds from sales of investments during the year	6,159	15,961
Original cost of investments sold during the year	(8,277)	(20,773)
Loss on investments sold during the year	(2,118)	(4,812)
Market loss	(1,004)	(2,810)
Foreign exchange loss	(1,114)	(2,002)
Unrealised market gain/(loss)		
Previously recognised unrealised (loss)/gain now realised	(265)	5,688
Current period market gain	2,786	9,106
Market gain	2,521	14,794
Unrealised market gain on listed securities	2,521	14,794
Unrealised market gain/(loss) on unlisted securities	–	–
Unrealised foreign exchange loss		
Previously recognised unrealised foreign exchange gain now realised	850	1,817
Current period foreign exchange loss	(3,940)	(2,499)
	(3,090)	(682)
Net (loss)/gain on financial assets at fair value through profit or loss	(2,687)	9,300

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

For the year ended 31 December 2013

4. Other expenses

	Year to 31.12.13 £000	Year to 31.12.12 £000
Directors' fees (note 14)	94	94
D&O insurance	14	14
Administration and secretarial fees (note 14)	102	102
Audit fee	21	24
Custody fees	11	11
Other advisory services	67	66
General expenses	135	135
	444	446

Other professional fees

During the year, the Group incurred costs amounting to £72,500 in relation to the Share Subscription Issue. During the year, the Board announced it was considering an issue of subscription shares ("Share Subscription Issue") with a view of increasing the size of the Company, which in turn would improve its marketability, facilitate a broader shareholder base and reduce the total expense ratio, whilst ensuring value remained with existing shareholders. However by the end of the year the Board further announced not to proceed with the Share Subscription Issue following feedback from the shareholders. These costs consist mostly of legal and consultancy fees which have been excluded from the calculation of Ongoing Charges in accordance with the recommended methodology set out by the AIC.

5. (Loss)/earnings per share

(Loss)/earnings per Ordinary Share is calculated on the loss for the year of £3,539,000 (2012 - profit of £8,695,000) divided by the weighted average number of shares of 75,001,463 (2012 - 75,001,463).

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

	Listed £000	Unlisted £000	Year to 31.12.13 Total £000	Year to 31.12.12 Total £000
Cost as at 1 January	36,100	815	36,915	36,468
Purchases	6,077	–	6,077	21,220
Sales proceeds	(6,159)	–	(6,159)	(15,961)
Realised loss on sale of investments	(2,118)	–	(2,118)	(4,812)
Cost at end of year	33,900	815	34,715	36,915
Unrealised gain/(loss) on revaluation	6,908	(815)	6,093	3,572
Unrealised foreign exchange loss on revaluation	(7,090)	–	(7,090)	(4,000)
Fair value at end of year	**33,718**	**–**	**33,718**	**36,487**

Fair value of listed securities at end of the year	33,718	36,487
Fair value of unlisted securities at end of the year	–	–

Equity instruments are held as direct equity holdings and surplus cash is held with the Custodian.

7. Taxation

Guernsey

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

Mauritius

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

ICG Q Limited is subject to income tax in Mauritius on net income which excludes realised and unrealised capital gains and related expenditure at 15% (2012: 15%). However, the company is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80 per cent. of the Mauritius tax on foreign source income.

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

ICG Q Limited made an operating loss during the period. As a result ICG Q Limited will not be liable to a Mauritian income tax charge.

India

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

For the year ended 31 December 2013

8. Receivables

	31.12.13 Total £000	31.12.12 Total £000
Other receivables and prepayments	16	25
	16	25

9. Payables

	31.12.13 Total £000	31.12.12 Total £000
Management fee	44	49
Other creditors	166	91
	210	140

10. Segmental information

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Group's activities form a single segment under the standard. From a geographical perspective, the Group's investments are focused in a single area - India. Assessment of performance by the Board and investment decisions by the Investment Manager are made on the basis of the portfolio as a whole. An analysis of the investments between listed and unlisted is however provided in note 6 as required by the Statement of Recommended Practice (SORP) for Investment Trusts issued by the AIC.

11. Share capital

Authorised Share Capital

Unlimited number of Ordinary Shares of £0.01 each

Issued Share Capital	Number of shares	Share capital £000
Ordinary Shares of £0.01 each		
At 31 December 2013	75,001,463	750
At 31 December 2012	75,001,463	750

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

12. 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).

				31 December 2013
	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Equity investments	33,718	–	–	33,718
Financial assets designated at fair value through profit or loss	33,718	–	–	33,718

				31 December 2012
	Level 1	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Equity investments	36,487	–	–	36,487
Financial assets designated at fair value through profit or loss	36,487	–	–	36,487

The were no movements in the fair value of financial instruments categorised within Level 3 between the beginning and end of the year 2013 and 2012.

The Group's investment in CitiXsys Technologies Private Limited valued at £Nil (2012: £Nil) is classified under Level 3. The following summarises the valuation methodologies used for the Group's investment categorised in Level 3 as of 31 December 2013.

The valuation has been derived using an earnings multiple based on the average prevailing multiples of similar companies. A 25% discount has also been applied given that the company is unlisted and is of a smaller than average size. Despite this methodology resulting in a small value for the Group, due to the potential uncertain nature of future earnings, the Board have deemed this value to be immaterial and have maintained the £nil value.

13. 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. The investment policy permits the Group to make investments in a range of equity and equity linked securities of such companies. The Group's portfolio of investments is predominantly in listed mid and small cap Indian companies and a smaller proportion in unlisted Indian companies. While the principal focus is on investments in listed equity securities or equity-linked securities, the Group has the flexibility to invest in bonds, convertibles and other type of securities.

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

13. Financial instruments and risk profile (continued)

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. The Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to exercise such powers. In the year ended 31 December 2013, 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.

Market price risk

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

The Group'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. The Group's equity investment portfolio is concentrated and, as at 31 December 2013, comprised investment in 35 companies. The Group thus has higher exposure to market risk in relation to individual stocks than more broadly spread portfolios.

The Group invests in companies based in India where the regulatory framework is still developing. The value of investments made by the Group may be affected by foreign exchange rates and controls, interest rates, changes in Government policy, social and civil unrest, and other political, economic and other developments affecting India.

The Group'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 the Group to market price risk can be approximated by applying the percentage of funds invested (2013: 96.74%; 2012: 95.04%) to any movement in the BSE Mid-Cap Index. At 31 December 2013, with all other variables held constant, this approximation would produce a movement in the net assets of the Group of £3,372,000 (2012: £3,649,000) for a 10% (2012: 10%) movement in the index.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the financial instruments held by the Group will fluctuate because of changes in foreign exchange rates. The Group'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 Group. The underlying currency risk in relation to the Group's investments is the Rupee. The Group's policy is not to hedge the Rupee exposure.

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

At 31 December 2013, if the Indian Rupee had strengthened or weakened by 10% (2012: 10%) against Sterling with all other variables held constant, pre-tax profit for the year would have been £3,569,000 (2012: £3,651,000) 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.

13. Financial instruments and risk profile (continued)

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 the Group. 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 Group are in relation to deposits with banks. The HSBC group acts as the principal banker to the Group. The aggregate exposure to the HSBC group at 31 December 2013 was £1,329,000 (2012: £2,020,000), of which £62,000 (2012: £33,000) was to HSBC Bank plc. HSBC Bank plc and the Hong Kong and Shanghai Banking Corporation Limited at the date of resignation had a credit rating of AA-.

HSBC group also acted as custodian of the Group's assets until 28 November 2013 after which SBI-SG Global Securities Services Private Limited ("SBI-SG") acted as the custodian. The securities held by SBI-SG as custodian are held in trust and are registered in the name of the Group subsidiary company (ICG Q Limited). SBI-SG has a credit rating of CRISIL AAA for SBI and A for Societe Generale.

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 is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. As the trading volume on the Indian Stock Market is lower than that of more developed stock exchanges the Group is likely to be invested in relatively illiquid securities. The Group's unlisted securities are even less liquid and may not be realisable until a third party investor is found. Unlisted securities represent nil% (2012: nil%) of the portfolio. The Group's focus is to invest predominantly in mid and small cap 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. As with unlisted securities these investments may take time to realise. The Directors do not believe that the market is inactive enough to warrant a discount for liquidity risk on the Groups' investments.

As an approximate indicator of the underlying liquidity in the listed securities in the portfolio, based on the average daily volumes of trades in each security reported by the two principal stock exchanges, being the Bombay Stock Exchange and the National Stock Exchange, in the last quarter of the year the portfolio holdings represented between 0.13 and 33,218 days trading (2012: between 0.14 and 975 days), with the average, weighted by the percentage of the total portfolio excluding Arihant Foundation & Housing, being 4 days trading (2012: 3 days). The listed security in Arihant Foundation & Housing is particularly illiquid but represents only 0.5% of the value of the portfolio and is not material to the Company.

The Group seeks to maintain sufficient cash to meet the Group's working capital requirements.

For the year ended 31 December 2013

14. Related party transactions

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

The Directors are responsible for the determination of the investment policy of the Group and have overall responsibility for the Group's activities.

The Directors' fees during the year are disclosed in the Unaudited Directors' Remuneration Report on page 22.

The Investment Manager is entitled to receive a management fee payable jointly by the Company and its subsidiaries equivalent to 1.5 per cent. per annum of the Group's Total Assets, calculated and payable monthly in arrears. The Investment Manager earned £522,000 in management fees during the year ended 31 December 2013 (2012: £531,000) of which £44,000 was outstanding at 31 December 2013 (31.12.12: £49,000).

The Investment Manager is also entitled to receive a semi-annual performance related fee from the Company if the Net Asset Value per Share at the end of the half-year performance period (a) exceeds the Net Asset Value per Share at the start of the performance period by an annualised, annually compounded, rate of more than 10 per cent. (the "Performance Hurdle") and (b) exceeds by an annualised, annually compounded, rate of more than 10 per cent. of the highest previously recorded Net Asset Value per Share at the end of the performance period in respect of which a performance fee was last paid (the "High Water Mark"). At 31 December 2013, the High Water Mark was 308.71 pence per Share compared to a Net Asset Value per Share of 46.47 pence.

The performance fee is an amount equal to 20 per cent. of the aggregate increase in the Net Asset Value above the High Water Mark. 50 per cent. of any performance fee payable (net of all attributable taxes) is required to be reinvested in Ordinary Shares purchased in the market (if Ordinary Shares are trading at a discount to NAV) or by subscription for new shares at NAV (if the Ordinary Shares are trading at a premium). No performance fee was paid in respect of the year ended 31 December 2013 (2012: £Nil).

The Administrator and Secretary until 31 December 2013 was Northern Trust International Fund Administration Services (Guernsey) Limited who were entitled to a fee calculated on the Net Asset Value of the Company of 0.125 per cent per annum on the first £50 million of Net Asset Value, 0.10 per cent per annum on the next £50 million of Net Asset Value and 0.05 per cent on any Net Asset Value in excess of £100 million, payable quarterly (subject to a minimum annual fee of £75,000). The Administrator is also entitled to reimbursement of out of pocket expenses incurred in the performance of its duties. The Administrator earned £75,000 for administration and secretarial services during the year ended 31 December 2013 (2012: £75,000) of which £19,000 was outstanding at 31 December 2013 (2012: £19,000). Northern Trust International Fund Administration Services (Guernsey) Limited is also entitled to a fee of £7,500, in relation to the production of the 31 December 2013 accounts. This amount remained outstanding at 31 December 2013 and is included under Other creditors in Note 9.

The total administration and secretarial fees recognised in the statement of comprehensive income amounted to £102,000, £27,000 of which pertains to the administration and secretarial fees of ICG Q Limited paid to International Financial Services Limited.

Apex Fund Services (Guernsey) Limited and Apex Fund Services (Mauritius) Limited were respectively appointed Administrator and Secretary of the company and its subsidiary, ICG Q Limited on 1 January 2014, consequently neither earned any fees in the year ended 31 December 2013.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2013

15. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 31 December 2013 (2012: Nil).

16. Subsequent events

These consolidated financial statements were approved by the Board on 14 March 2014. Subsequent events have been evaluated until this date.

Following the resignation of Northern Trust International Fund Administration Services (Guernsey) Limited and International Fund Administration Services Limited as administrator and secretary, respectively, Apex Fund Services (Guernsey) Limited and Apex Fund Services (Mauritius) Limited were appointed as administrator and secretary effective 1 January 2014.

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

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