India
Capital Growth Fund

Unaudited interim report and consolidated financial statements

For the period from
1 January 2007 to
30 June 2007

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Contents

Management and administration

Directors

Michael L. Ingall (Chairman)

Jamie M.B. Cayzer-Colvin

Ashok Dayal

Robert C. Nicholson

Robert P. King
(resigned with effect from 31 March 2007)

Julian Carey
(appointed with effect from 31 March 2007)

Registered Office

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

Investment Manager

India Investment Partners Limited
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30 Buckingham Gate
London SW1E 6NN

Administrator and Secretary

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

Mauritian Administrator

International Financial Services Limited
IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Custodian

The Hong Kong and Shanghai Banking
Corporation Limited
HSBC Central Services Centre
8 S.K. Ahire Marg
Worli
Mumbai 400 030
India

Management and administration (continued)

Custodian (continued)

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Nominated Adviser and Broker

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20 Ropemaker Street
London EC2Y 9AR

Registrar

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Guernsey GY1 4AE

Auditors

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Mauritius

International Financial
Services Limited
IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Chairman's statement

The net asset value of the Company rose by just under 25% in the six months to 30th June 2007. I concluded my report at the end of last year by expressing the view that the Company was well placed to fulfil the optimism in the name India Capital Growth fund. It is gratifying to report that in this six month period that optimism appears to have been well founded. The Share price has, however, not increased at the same rate, and in line with many other emerging market funds, the shares are trading at a discount to the fully diluted net asset value.

The Company's objective is to invest for long term capital growth by investing as long term shareholders in a limited number of small and medium sized Indian companies. Such companies take time to identify and evaluate and often shareholdings take time to build. This was apparent in the Company's first year of operation but by the beginning of the current year a core portfolio was largely in place.

The Manager's strategy is to seek out companies whose business plans have the potential for sustained growth, high return on capital and strong cash flows. The share prices of these companies will be driven by the success and achievement of these plans but also by the Stock Market evaluation of these fundamentals, which can be fickle. With some 50% of the value of the fund concentrated in 6 stocks, the NAV of the fund is likely to remain volatile as demonstrated by a 32% increase in NAV between 31 March 2007 and 30 June 2007. Nevertheless I am confident that the quality of the companies in the portfolio should ensure that your Company is well positioned to achieve its long term objectives.

Economically, India continues to be a success with GDP growth at 9.4% for the year to 31 March 2007, slightly higher than the earlier estimates and a similar growth forecast for the current financial year. At the same time, inflation has reduced to a more manageable level.

In the Indian equity markets generally, the smaller cap stocks have been much slower to recover from the May 2006 crash than their large cap counterparts. The BSE Sensex passed its May 2006 peak in October 2006; the BSE Small Cap Index only recovered to its May 2006 peak level in early July 2007. Since 31 March Indian equity markets have been generally positive with the BSE Sensex rising by 5.6% and the BSE Small Cap Index rising by 10.5%.

The Company's policy of not hedging the exposure to the Indian Rupee had an adverse effect in 2006, but in the six months to 30 June 2007, the Rupee appreciated by 6.1%. Even so, the Rupee remained 4.8% below its level against sterling when the Company was launched.

Since the end of the period, markets have continued to be volatile. Sharp rises in share prices in the portfolio in July were to a large extent offset by subsequent net falls in August. These swings have not deflected us from our fundamental policy of investing for longer term value.

Micky Ingall
Chairman

3 SEPTEMBER 2007

Investment manager's report

Portfolio performance

The Company's NAV as at 30 June 2007 was 116.48 pence per share, an increase of 25% since 31 December 2006. While Indian equity markets, and in particular the BSE Small Cap Index, have shown good returns for the first half of 2007, the Company's NAV has outperformed the BSE Sensex and the BSE Small Cap Indices even when adjusted for exchange rate movements. This is primarily due to high share price rises over the first six months of 2007 in five of the major investments held by the Company and its subsidiaries (the "Group"). A discussion on these individual investments is provided later in this report.

At 30 June 2007 the portfolio was 94.2% invested, with some capacity to exploit new opportunities as they arise.

The table below shows NAV, share price, exchange rate and relevant indices movements in the six month period and since inception (22 December 2005).

Table 1: % change in NAV, Share price, BSE Small Cap, Mid Cap and Sensex and INR / GBP to 30 June 2007

PERIOD	NAV %	SHARE PRICE %	BSE SMALL CAP INDEX %	BSE SENSEX %	INR / GBP EXCH. RATE%
6 months to 30 June 2007	+25.0	+8.6	+12.2	+6.3	+6.1
Inception (22 December 2005) to 30 June 2007	+18.9	+0.8	+31.7	+56.3	-3.3

Summary of objectives

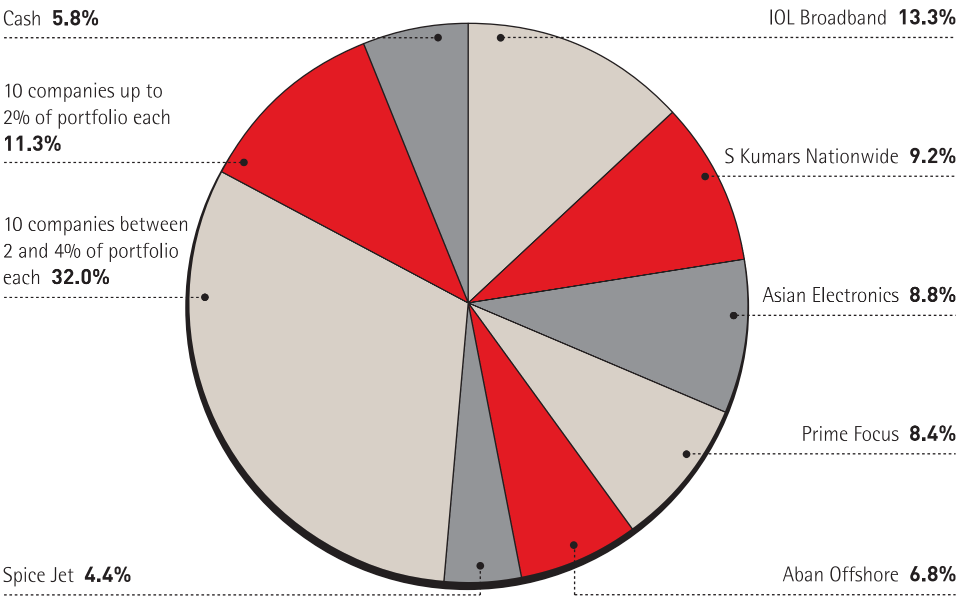
The Company's objective is to provide long-term capital appreciation by investing for the longer term in predominantly smaller Indian companies, and by backing owners and management teams whom we trust and who are operating businesses with a clear business plan that delivers sustainable cash flows and high growth with a superior Return on Invested Capital. Where appropriate, we take Board seats, and provide additional assistance to companies for example in relation to shareholder communications and corporate finance matters. We are prepared to reduce holdings where the companies no longer meet the core investment criteria, or where there are more attractive opportunities elsewhere.

Concentration

The aim of the Company is not to build a diversified portfolio that tracks a particular market Index, but to use bottom up analysis to invest in a carefully selected set of companies in which the Group would be a significant minority shareholder. The portfolio is thus more concentrated than those of other listed general India equity funds.

The degree of concentration in the portfolio is shown overleaf in Table 2.

Table 2: Portfolio concentration as at 30 June 2007



No new investment is made which would cause a holding to exceed 10% of the portfolio, although share price performance may cause (and indeed has caused) holdings to exceed this limit.

Size of investee companies

The focus is on small and mid-sized companies. Using the classification used in the BSE Small and BSE Mid Cap Indices, the Group's 26 Investee companies are categorised by size in Table 3 below.

Sectoral risk controls

While the investment selection is primarily based on bottom up analysis, the exposure of the portfolio to any one sector is regularly monitored. The chart opposite in Table 4 shows the range of sectors represented in the portfolio.

Table 3: Size of investee companies as at 30 June 2007

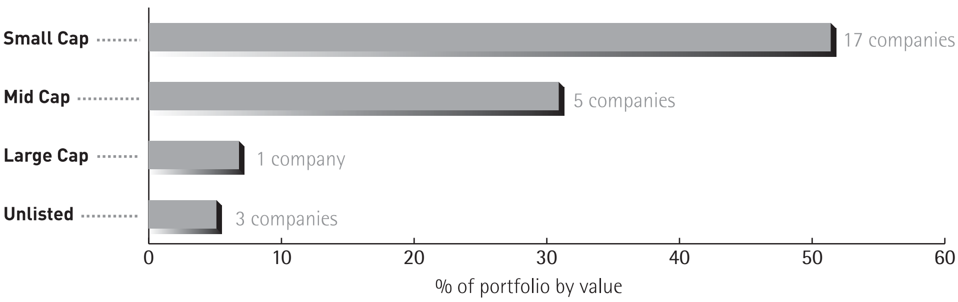
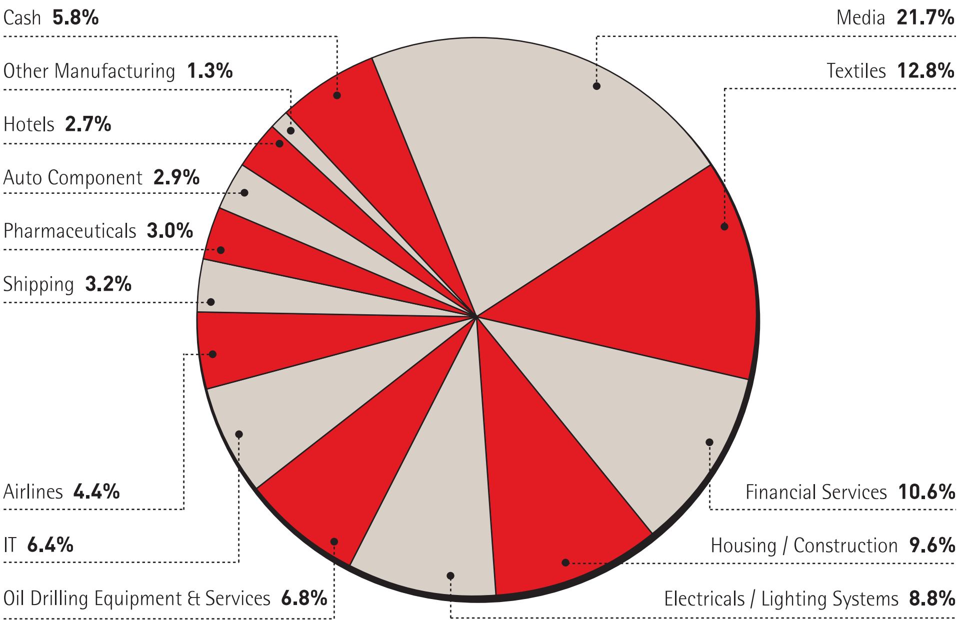


Table 4: Sectoral analysis of portfolio as at 30 June 2007



The market environment

GDP growth

- India's GDP growth has been consistently above 8% for over 2 years

Industrial production

- Growth in industrial production has been in the range of 8% to 16% for substantially the whole of the period since 1 January 2006.

Inflation

- Inflation fell to 4.27% as at 30 June 2007 from 5.89% as at 30 December 2006 and from a peak in the six month period of 6.69% on 27 January 2007 continuing the general downward trend from the 3 year peak of 8.74% in August 2004.
- The Reserve Bank of India (RBI) increased the Repo Rate (the rate at which RBI borrows from banks) to 7.5% on 31 January and to 7.75% on 3 April 2007 where it has remained. The Cash Reserve Ratio (the percentage of total deposits a bank has to keep with the RBI) was increased from 5% in December 2006 to 6.5% at 30 June 2007.

Fund flows and forex reserves

- Foreign Institutional Investors (FIIs) have invested a net USD 5.7 billion in India in the six months ended 30 June 2007.
- India's forex reserves have risen by USD 36 billion in the same period to a total of USD 213 billion compared to USD 58 billion five years ago.

Corporate profit growth

- Annualised profit growth of BSE Sensex group companies was 35% for the year ended 31 March 2007.
- Mid Cap and Small Cap companies have also grown substantially with annualised profit growth of 59% for BSE Mid Cap index group companies and 44% for BSE Small Cap index group companies over the same period.

Exchange rate movement

- The Rupee has appreciated by 7.8% against the US Dollar from INR 44.23 = USD 1 on 29 December 2006 to INR 40.75 = USD 1 on 29 June 2007. In the same period it has appreciated by 6.0% against the Euro and by 6.1% against Sterling. However it remained 4.8% below its rate against Sterling on 31 December 2005.

The market environment (continued)

Performance of the Indices

- The BSE Sensex rose 6.3% over the first six months of 2007. It peaked at 14,652 on 8 February 2007, and then fell by 15% from then to 5 March 2007, before recovering to end the period only fractionally below the peak.
- The BSE Small Cap Index gained 12.2% in the period having followed a similar pattern, and ended the period around 1% short of its all time high.

The major investments (with data as at 30 June 2007)

IOL Broadband Limited

Market cap: INR11.7bn (GBP143.9m)
Value of holding: GBP11.6m
13.3% of portfolio
8.1% of company

IOL Broadband Limited is a listed IPTV (Internet Protocol Television) company. The company has recently commenced providing IPTV services primarily using the infrastructure of state owned telephone companies, MTNL and BSNL who together have over 40 million subscribers, although at present only 2 million have broadband connections. The company provides the content and advertising and shares revenues with these two infrastructure providers. The arrangements with MTNL and BSNL are not exclusive but as yet there is no other serious competitor. IPTV consists of both access to channels via a monthly subscription and pay per view channels, movies and educational content on demand. The company also has fibre optic cable infrastructure of its own in certain parts of Mumbai and Delhi through which it provides broadband services to select corporate customers. The company expects to break even later this year.

S Kumars Nationwide Limited

Market cap: INR18.9bn (GBP231.6m)
Value of holding: GBP8.1m
9.2% of portfolio
3.5% of company

The company is a textile manufacturer focused on branded apparels for the medium to high end local market. It has also built up a textile retail business which is growing rapidly. The company reported turnover growth of 38% and net profit growth of 176% before extraordinary items for the year ended 31 March 2007.

S Kumars Nationwide Limited is predominantly focused on the domestic Indian market and is well positioned to take advantage of domestic demand growth. The company has announced the intention of demerging its retail business, Brandhouse Retail, into a separate listed company in which existing shareholders of S Kumars Nationwide Limited will be allotted shares on a pro-rata basis.

Asian Electronics Limited

Market cap: INR9.3bn (GBP113.5m)
Value of holding: GBP7.7m
8.8% of portfolio
6.8% of company

Asian Electronics Limited (AEL) is one of India's leading Energy Service Companies (ESCO). An ESCO business develops, installs and finances projects designed to improve the energy efficiency of lighting facilities, largely in the public sector. The company has targeted a turnover of INR11.3 billion by 2010 compared to INR3.7 billion in the year to 31 March 2007. It is focusing particularly on the replacement market where there is an installed base of 6 billion tube lights.

Since the period-end AEL has made a significant move into the waste to energy conversion market, with two acquisitions in India and a joint venture in Singapore through which this technology can be exploited in other countries.

The company reported turnover growth of 135% and net profit growth of 165% for the year ended 31 March 2007.

Prime Focus Limited

Market cap: INR 9.7bn (GBP118.7m)
Value of holding: GBP7.3m
8.4% of portfolio
6.2% of company

The company provides post-production facilities for different media sectors including television software, advertising films and feature films. The company offers services ranging from visual effects, digital film lab (digital intermediate, high-resolution film scanning and film recording), telecine, editing, and motion control to high definition production. In 2006 Prime Focus acquired a majority stake in VTR plc (now renamed Prime Focus UK plc) a UK based, AIM listed media company with revenues of GBP21 million. Prime Focus UK plc has more recently acquired Clear (Post Production) Ltd, another UK visual effects company thus further expanding the group's international capabilities and customer base.

Prime Focus recently opened a new facility in Chennai to service the South Indian film industry which now accounts for over 50% of India's film productions.

With facilities in India and the UK it is well positioned to compete for and win work for international film producers. It recently completed the post production work for a Hollywood film, "28 Weeks Later" which has helped strengthen its brand image in the US market, where it is now considering establishing a local presence.

The company reported turnover growth of 30% and net profit growth of 43% for the year ended 31 March 2007.

Aban Offshore Limited

Market cap: INR110.9bn (GBP1,359.3m)

Value of holding: GBP6.0m

6.8% of portfolio

0.4% of company

Aban Offshore is the only large cap company in the portfolio. It provides oil field services for offshore exploration and production of hydrocarbons. The company has the largest private sector offshore drilling capability in South Asia with its own floating production and storage facilities. With the acquisition in February 2007 of Sinvest, a Norwegian drilling company, Aban is amongst the 15 largest drilling companies in the world and amongst the top ten jackup operators globally. The company currently operates 14 rigs/ships of which 6 rigs/ships have been added through the acquisition of Sinvest. A further 6 jack up rigs are on order and will be delivered by 2009.

The company reported turnover growth of 12% and net profit growth of 19% for the year ended 31 March 2007.

SpiceJet Limited

Market cap: INR10.2bn (GBP124.5m)

Value of holding: GBP3.9m

4.4% of portfolio

3.1% of company

SpiceJet Limited is the second largest low-cost carrier in the domestic airline industry in India, with a market share of 8.5%. The company continues to enjoy the best operating performance in the Indian aviation industry in terms of punctuality and cost.

Currently, the airline operates a fleet of 11 Boeing 737-800 aircraft, and the company plans to have a further 8 in operation by 31 March 2008. All the aircraft are fully funded through sale and leaseback agreements. Tata Sons, Goldman Sachs, Istithmar (a Government of Dubai investment vehicle), and BNP Paribas all participated in the company's recent preferential issue, demonstrating substantial institutional support for the company.

The company achieved turnover growth of 53% for the year ended 31 March 2007 and is expecting to achieve a pre-tax profit in the current financial year ending on 31 March 2008.

Logix Microsystems

Market cap: INR2.1bn (GBP25.7m)

Value of holding: GBP3.5m

4.0% of portfolio

13.6% of company

Logix Microsystems provides internet marketing and sales solutions for auto dealers primarily in the US through a 3D imaging product branded as "izmocars". This enables auto-dealers to get an edge in a competitive market, where the preliminary study by prospective car buyers is done through the internet. Logix has more than 1,000 auto-dealer clients in the USA and is now also working with OEMs including GM and Ford.

It has recently acquired CarSite, the automotive business portal of PowerOne Media. This acquisition is a strategic investment which adds an experienced team, a customer base of more than 50 media clients located all over the United States and a technology platform on which to build the media business.

The company reported turnover growth of 32% and net profit growth of 34% for the year ended 31 March 2007.

Gruh Finance Limited

Market cap: INR5.3bn (GBP65.5m)

Value of holding: GBP3.3m

3.8% of portfolio

5.0% of company

Gruh Finance is in the business of providing housing finance in rural and semi urban areas. It is a subsidiary of HDFC (Housing Development Finance Corporation) which holds 61.85% in the company. Gruh's major focus has been to provide small sized home loans to individuals and families who are not catered for by HDFC, which concentrates on larger sized loans. This smaller end of the market is an area that is growing rapidly.

The company reported operating income growth of 41% and net profit growth of 37% for the year ended 31 March 2007.

Grabal Alok Impex Limited

Market Cap: INR2.5bn (GBP31.0m)
Value of holding: GBP3.1m
3.6% of portfolio
10.1% of company

The company is primarily engaged in the business of manufacturing, marketing and exporting of embroidered products such as embroidered fabric and lace. It has a financial and technical collaboration with an Austrian company Grabal, Albert Grabber GesmbH.

The company has increased its stake from 26% to 76% in its UK retail subsidiary, which has 205 outlets across England, Scotland and Wales trading under the QS brand. The investment was funded through a recent USD 25 million FCCB.

The company reported operating income growth of 63.5% and net profit growth of 105% for the year ended 31 March 2007.

Marwadi Shares and Finance Limited (unlisted)

Valuation of holding: GBP3.0m
3.4% of portfolio
12.2% of company

Marwadi Shares and Finance Limited is an unlisted Rajkot-based (Gujarat) retail brokerage company, offering brokerage services in equities, derivatives and commodities, depository services and portfolio management and distribution of Mutual Funds and IPOs. It also offers online brokerage services. At present, the company has 50 owned branches and 427 franchisees.

The company plans to expand its branch network outside Gujarat to 130 owned branches by 2012 as well as grow the company's new online broking business. The company will also expand in commodities broking and in the distribution of mutual fund and insurance products.

Unlisted investments

No new unlisted investments have been made in the six month period, although opportunities continue to be evaluated. The principal unlisted investment, Marwadi Shares and Finance Limited is discussed above.

Outlook

We will continue to pursue a focused strategy of investment in a concentrated portfolio of high growth companies.

We believe that the long term prospects for individual companies within our portfolio remain very attractive, and, notwithstanding recent volatility in both the global and Indian stock markets, we are confident that over the long term the portfolio will deliver substantial capital growth.

India Investment Partners Limited
3 SEPTEMBER 2007

Directors' report

The Directors present their report and the unaudited interim consolidated financial statements of the Group for the period from 1 January 2007 to 30 June 2007.

The Company

The India Capital Growth Fund Limited (the "Company") was registered in Guernsey on 11 November 2005 and is a closed-ended investment company. The Company has two wholly owned Mauritian subsidiaries, ICG Q Limited and ICG U Limited, comprising the "Group". The Company was listed on the Alternative Investment Market of the London Stock Exchange on 22 December 2005.

Investment policy

The Group's investment objective is to provide long-term capital appreciation by investing (directly or indirectly) in companies based in India. The investment policy permits the Group to make investments in a range of Indian equity and equity linked securities and predominantly in listed small to mid-cap Indian companies with a smaller proportion in unlisted Indian companies. Investment may also be made in large-cap listed Indian companies and in companies incorporated outside India which have significant operations or markets in India. While the principal focus is on investment in listed or unlisted equity securities or equity linked securities, the Group has the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of security, including derivative instruments.

Results and dividends

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

The results for the period are set out in the Unaudited Consolidated Income Statement on page 15.

The Directors do not recommend the payment of a dividend for the period ended 30 June 2007.

Substantial interests

Shareholders who at 30 August 2007 held an interest of 3% or more of the Ordinary Share Capital of the Company are stated opposite:

	No. shares	% holding
Caledonia Investments Plc	19,750,000	26.33
BNY (OCS) Nominees Limited	5,377,500	7.17
Diprivest Inc	5,000,000	6.67
The Bank of New York (Nominees) Limited	4,168,688	5.56
HSBC Global Custody Nominee (UK) Limited	4,289,213	5.72
Pershing Keen Nominees Limited	3,574,568	4.77
Roy Nominees Limited	3,095,413	4.13
OMX Securities Nominees Limited	2,463,999	3.29

In addition, the Cayzer Trust Company Limited which has a substantial shareholding in Caledonia Investments Plc holds 2,000,000 shares in the Company (2.67%). The Manager, India Investment Partners Limited and connected persons (not elsewhere disclosed) hold 189,573 shares arising principally from the reinvestment of performance fees in accordance with the management agreement.

So far as the Board is aware, other than the holding of Caledonia Investments plc, there is no holding of warrants which if converted would amount to an interest of 3% or more of the Ordinary Share Capital of the Company.

Directors

The directors of the Company who (except where otherwise noted), served throughout the period are set out on page 1.

Directors' interests

Directors held the following interests in the share capital of the Company:

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

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

The arrangements with the Investment Manager, India Investment Partners Limited are set out in Note 10.

M L Ingall
J M B Cayzer-Colvin
Directors

3 SEPTEMBER 2007

Independent review report

Introduction

We have been instructed by the Company to review the financial information for the period 1 January 2007 to 30 June 2007 which comprises the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Statement of Assets and Liabilities, Consolidated Cash Flow Statement and the related notes 1 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company having regard to guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the period 1 January 2007 to 30 June 2007.

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

3 SEPTEMBER 2007

Notes:

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

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

Principal group investments

As at 30 June 2007

HOLDING	TYPE	SECTOR	VALUE £000'S	% OF PORTFOLIO
IOL Broadband Limited	Small Cap	Media	11,602	13.28
S Kumars Nationwide Limited	Mid Cap	Textiles	8,065	9.23
Asian Electronics Limited	Small Cap	Electricals / Lighting Systems	7,709	8.82
Prime Focus Limited	Small Cap	Media	7,322	8.38
Aban Offshore Limited	Large Cap	Oil Drilling, Equipment & Services	5,970	6.83
SpiceJet Limited	Mid Cap	Airlines	3,870	4.43
Logix Microsystems Limited	Small Cap	IT	3,493	4.00
Gruh Finance Limited	Small Cap	Financial Services	3,291	3.77
Grabal Alok Impex Limited	Small Cap	Textiles	3,137	3.59
Marwadi Shares and Finance Limited	Unlisted	Financial Services	3,026	3.46
Total top 10 investments			**57,485**	**65.79**
Other Small and Mid Cap (14 companies)			23,413	26.81
Other Unlisted (2 companies)			1,408	1.61
Total invested assets			**82,306**	**94.21**
Cash and other net current assets			5,058	5.79
Total Portfolio			**87,364**	**100.00**

India Capital Growth Fund

Portfolio Statement

As at 30 June 2007

HOLDING	NOMINAL	VALUE £000'S	% OF PORTFOLIO
Listed securities			
Airlines			
SpiceJet Limited	5,738,020	3,870	4.43
		3,870	4.43
Auto components			
El Forge Limited	1,265,959	1,030	1.18
Kirloskar Ferrous Industries Limited	1,803,660	911	1.04
Mahindra Ugine Steel Limited	500,482	553	0.63
		2,494	2.85
Electricals & lighting systems			
Asian Electronics Limited	751,250	7,709	8.82
		7,709	8.82
Financial services			
Gruh Finance Limited	1,734,400	3,291	3.77
Prime Securities Limited	2,342,000	2,387	2.73
		5,678	6.50
Hotels			
Viceroy Hotels Limited	1,888,116	2,226	2.55
		2,226	2.55
Housing & construction			
Arihant Foundation and Housing Limited	694,500	2,548	2.92
Standard Industries Limited	2,868,501	2,284	2.62
MSK Projects (India) Limited	1,584,843	1,337	1.53
Madhucon Projects Limited	498,763	1,299	1.49
IVRCL Infastructure Limited	209,000	919	1.05
		8,387	9.61
IT			
Logix Microsystems Limited	1,161,000	3,493	4.00
IT People India Limited	2,938,336	1,299	1.49
		4,792	5.49
Media			
IOL Broadband Limited	1,844,927	11,602	13.28
Prime Focus Limited	784,576	7,322	8.38
		18,924	21.66
Oil drilling, equipment & services			
Aban Offshore Limited	162,000	5,970	6.83
		5,970	6.83

Portfolio statement (continued)

As at 30 June 2007

HOLDING	NOMINAL	VALUE £000'S	% OF PORTFOLIO
Other manufacturing			
Manugraph India Limited	689,188	1,122	1.29
		1,122	1.29
Pharmaceuticals			
Dabur Pharma Limited	2,662,111	2,511	2.87
		2,511	2.87
Shipping			
Varun Shipping Limited	3,794,177	2,825	3.23
		2,825	3.23
Textiles			
S Kumars Nationwide Limited	6,480,379	8,065	9.23
Grabal Alok Impex Limited	2,085,167	3,137	3.59
		11,202	12.82
Total listed securities		**77,710**	**88.95**
Unlisted Securities			
Equity			
Financial services			
Marwadi Shares and Finance Limited	1,680,976	3,026	3.46
Convertible debentures			
Financial services			
Infinity India Advisors Private Limited	500,000	593	0.68
IT			
CitiXsys Technologies Private Limited	690	815	0.93
Total convertible debentures		**1,408**	**1.61**
Warrants			
Hotels			
Viceroy Hotels Limited	812,500	162	0.19
Total unlisted securities		4,596	5.26
Total investments		82,306	94.21
Net current assets		5,058	5.79
Total net assets		**87,364**	**100.00**

Unaudited consolidated income statement

For the period from 1 January 2007 to 30 June 2007

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED 01.01.07 TO 30.06.07 TOTAL £000	UNAUDITED 11.11.05 TO 30.06.06 TOTAL £000	AUDITED 11.11.05 TO 31.12.06 TOTAL £000
Income						
Fixed deposit interest		71	-	71	655	866
Bank interest income		22	-	22	395	496
Dividend income		238	-	238	281	696
		331	**-**	**331**	**1,331**	**2,058**
Net gains/(losses) on financial assets at fair value through profit or loss						
Market movements	2	-	19,560	19,560	(8,184)	(741)
Foreign exchange movements	2	-	(841)	(841)	(2,116)	(2,796)
Total income/(expense)		**331**	**18,719**	**19,050**	**(10,300)**	**(3,537)**
Expenses						
Management fee	10	(558)	-	(558)	(560)	(1,075)
Performance fee	10	-	(626)	(626)	-	-
Cost of acquisitions and disposal of investments		-	(126)	(126)	(244)	(464)
Other expenses	3	(282)	(10)	(292)	(315)	(674)
Total expenses		**(840)**	**(762)**	**(1,602)**	**(1,119)**	**(2,213)**
(Loss)/profit for the period before taxation		(509)	17,957	17,448	(10,088)	(3,692)
Taxation	6	-	-	-	(10)	(19)
(Loss)/profit for the period after taxation		**(509)**	**17,957**	**17,448**	**(10,098)**	**(3,711)**
Earnings per Ordinary Share – Basic and Diluted (pence)	4	(0.68)	23.94	23.27	(13.46)	(4.95)

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

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

The notes on pages 20 to 24 form part of these financial statements.

Unaudited consolidated statement of changes in equity

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

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

For the period from 11 November 2005 to 30 June 2006 (unaudited)

	SHARE CAPITAL £000	SHARE PREMIUM £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 11 November 2005	-	-	-	-	-	-	-
Gain/(loss) on investments	-	-	281	(8,465)	-	-	(8,184)
Profit for the period after taxation (exc. foreign exchange losses)	-	-	-	-	446	-	446
Cost of acquisition and disposal of investments	-	-	(48)	(196)	-	-	(244)
(Loss)/gain on foreign currency	-	-	(112)	(2,004)	-	-	(2,116)
Issue of shares	750	74,250	-	-	-	-	75,000
Issue costs relating to the issue of shares	-	(1,379)	-	-	-	-	(1,379)
Balance as at 30 June 2006	**750**	**72,871**	**121**	**(10,665)**	**446**	**-**	**63,523**

The notes on pages 20 to 24 form part of these financial statements.

Unaudited consolidated statement of changes in equity (continued)

For the period from 11 November 2005 to 31 December 2006 (audited)

	SHARE CAPITAL £000	SHARE PREMIUM £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 11 November 2005	-	-	-	-	-	-	-
Gain/(loss) on investments	-	-	(15)	(757)	-	-	(772)
Profit for the period after taxation (exc. foreign exchange losses)	-	-	-	-	487	-	487
Cost of acquisition and disposal of investments	-	-	(104)	(360)	-	-	(464)
(Loss)/gain on foreign currency	-	-	(166)	(2,796)	-	-	(2,962)
Issue of shares	750	74,250	-	-	-	-	75,000
Issue costs relating to the issue of shares	-	(1,373)	-	-	-	-	(1,373)
Transfer to distributable reserves	-	(72,877)	-	-	-	72,877	-
Balance as at 30 June 2007	**750**	**-**	**(285)**	**(3,913)**	**487**	**72,877**	**69,916**

The notes on pages 20 to 24 form part of these financial statements.

Unaudited consolidated statement of assets and liabilities

As at 30 June 2007

	NOTES	UNAUDITED 30.06.07 £000	UNAUDITED 30.06.06 £000	AUDITED 31.12.06 £000
Non-current assets				
Financial assets at fair value through profit or loss	5	82,306	41,666	61,255
Current assets				
Cash and cash equivalents		6,067	22,128	9,082
Receivables	7	93	237	73
		6,160	22,365	9,155
Current liabilities				
Payables	8	(1,102)	(508)	(494)
Net current assets		5,058	21,857	8,661
Total assets less current liabilities		**87,364**	**63,523**	**69,916**
Equity				
Ordinary share capital	9	750	750	750
Reserves		86,614	62,773	69,166
Total equity		87,364	63,523	69,916
Number of Ordinary Shares in issue		**75,000,000**	**75,000,000**	**75,000,000**
Net Asset Value per Ordinary Share (pence)		**116.48**	**84.70**	**93.22**

The unaudited consolidated financial statements on pages 15 to 24 were approved by the Board of Directors on 3 September 2007 and signed on its behalf by:-

M L Ingall
J M B Cayzer-Colvin
Directors

3 SEPTEMBER 2007

The notes on pages 20 to 24 form part of these financial statements.

Unaudited consolidated cash flow statement

For the period from 1 January 2007 to 30 June 2007

	NOTES	UNAUDITED 01.01.07 TO 30.06.07 £000	UNAUDITED 11.11.05 TO 30.06.06 £000	AUDITED 11.11.05 TO 31.12.06 £000
Cashflows from operating activities				
Investment income		198	54	672
Fixed deposit interest		71	655	866
Bank interest received		22	388	496
Management fee		(539)	(481)	(986)
Other cash payments		(320)	(382)	(432)
Net cash outflow from operating activities		**(568)**	**234**	**616**
Cashflows from investing activities				
Purchase of investments		(19,887)	(57,509)	(94,081)
Sale of investments		17,566	6,068	29,312
Transaction charges relating to the purchase and sale of investments		(126)	(244)	(402)
Net cash outflow from investing activities		**(2,447)**	**(51,685)**	**(65,171)**
Cashflows from financing activities				
Proceeds from issue of shares		-	75,000	75,000
Issue costs		-	(1,371)	(1,373)
Net cash outflow from financing activities		**-**	**73,629**	**73,627**
Net (decrease)/increase in cash and cash equivalents during the period		(3,015)	22,178	9,072
Cash and cash equivalents at the start of the period		9,082	-	-
Exchange (losses)/gains on cash and cash equivalents		-	(50)	10
Cash and cash equivalents at the end of the period		**6,067**	**22,128**	**9,082**

The notes on pages 20 to 24 form part of these financial statements.

Notes to the unaudited consolidated financial statements

For the period from 1 January 2007 to 30 June 2007

1. Accounting policies

Basis of accounting

The unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and applicable Guernsey Law. The same accounting polices have been adopted in these financial statements as in the annual report and audited financial statements for the period ended 31 December 2006.

To better reflect the activities of an investment company and in accordance with the guidance issued by the Association of Investment Companies (the "AIC"), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the unaudited consolidated income statement.

Basis of preparation

The unaudited interim consolidated financial statements 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

Subsidiaries (ICG Q Limited and ICG U Limited) are consolidated in full from the date of acquisition, being the date on which the Group obtained control and will continue to do so until such control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Individual Company only information has not been presented as the information is not materially different from that for the group as a whole.

Income

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

Expenses

Expenses are accounted for on an accruals basis. Expenses incurred on the acquisition or disposal of investments at fair value through profit and loss are allocated to the capital column of the income statement. Performance fees are also allocated to the capital column. Other expenses are allocated to the revenue column of the income statement.

Taxation

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

Investments

The Group designates all investments, listed and unlisted, as at fair value through profit or loss at the time of acquisition. They are initially recognised at fair value, being the cost incurred in their acquisition. Transaction costs are expensed in the Income Statement. Gains and losses arising from changes in fair value are presented in the Income Statement in the period in which they arise.

Direct Indian equity investments are valued at closing market prices on either the Bombay Stock Exchange or the National Stock Exchange (whichever is the primary market for the security in question). Participatory notes are valued at the closing market bid prices published by the issuer. Investments listed on other exchanges are valued at closing market bid prices on the relevant exchange.

Unlisted investments are valued at the Directors' estimate of their fair value in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and guidelines issued by the International Private Equity and Venture Capital Association.

Foreign currency translation

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

Cash and cash equivalents

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

For the period from 1 January 2007 to 30 June 2007

2. Net gains on financial assets at fair value through profit or loss

	Unaudited 01.01.07 to 30.06.07 £000	Unaudited 11.11.05 to 30.06.06 £000	Audited 11.11.05 to 31.12.06 £000
Realised			
Proceeds from sales of investments during the period	17,527	6,068	29,350
Original cost of investments sold during the period	(21,095)	(5,899)	(29,334)
(Loss)/gain on investments sold during the period	(3,568)	169	16
Market (losses)/gains	(2,101)	281	(15)
Foreign exchange (losses)/gains	(1,467)	(112)	31
Unrealised market			
Previously recognised unrealised loss now realised	1,764	-	-
Current period market gains/(losses)	19,897	(8,465)	(757)
	21,661	(8,465)	(757)
Unrealised foreign exchange			
Previously recognised unrealised foreign exchange loss now realised	1,810	-	-
Current period foreign exchange losses	(1,184)	(2,004)	(2,796)
	626	(2,004)	(2,796)
Net gain/(loss) on financial assets at fair value through profit or loss	18,719	(10,300)	(3,537)

3. Other expenses

	Unaudited 01.01.07 to 30.06.07 £000	Unaudited 11.11.05 to 30.06.06 £000	Audited 11.11.05 to 31.12.06 £000
Revenue			
Directors' fees	47	53	97
D&O insurance	8	12	22
Administration and secretarial fees	62	59	121
Audit fee	27	13	38
Custody fees	14	4	23
Other advisory services	35	33	65
General expenses	89	33	63
Establishment expenses	-	58	58
Foreign exchange	-	50	(10)
	282	315	477
Capital			
Exchange losses	10	-	197
	292	315	674

4. Earnings per share

Basic earnings per Ordinary Share is based on the weighted average number of Ordinary Shares. There being no change in the number of shares in issue during the period, the weighted average number of Ordinary Shares for the period is 75,000,000. Diluted Earnings per Ordinary Share is equal to the basic Earnings per Ordinary Share because the average share price during the period is less than the consideration which would be receivable for the potential Ordinary Shares, therefore having no dilutive effect.

5. Financial assets at fair value through profit or loss

	Unaudited 30.06.07 £000	Unaudited 30.06.06 £000	Audited 31.12.06 £000
Cost as at start of the period	64,808	-	-
Purchases	19,859	58,034	94,142
Sales	(17,527)	(6,068)	(29,350)
Realised (loss)/gain on sales of investments	(3,568)	169	16
Cost as at end of the period	63,572	52,135	64,808
Unrealised gain/(loss) on revaluation	20,904	(8,465)	(757)
Unrealised foreign exchange (loss)/gain on revaluation	(2,170)	(2,004)	(2,796)
Fair value as at end of the period	82,306	41,666	61,255
Fair value of listed securities at end of the period	77,710	40,651	56,627
Fair value of unlisted securities at end of the period	4,596	1,015	4,628

Securities may be held directly or through other mechanisms such as participatory notes, convertible debentures, warrants and unlisted investments.

Method

	Unaudited 30.06.07 £000	Unaudited 30.06.06 £000	Audited 31.12.06 £000
Participatory notes	34,585	34,355	37,774
Equities	46,151	6,296	21,879
Convertible debentures	1,408	981	1,408
Warrants	162	34	194
	82,306	41,666	61,255

6. Taxation

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

India

A company which is tax resident in Mauritius under the treaty, but has no branch or permanent establishment in India, will not be subject to capital gains tax in India on the sale of securities but is subject to a Dividend Distribution Tax of equivalent to 12.5% (plus 2.5% surcharge) of the dividends distributed.

Mauritius

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

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

7. Receivables

	Unaudited 30.06.07 £000	Unaudited 30.06.06 £000	Audited 31.12.06 £000
Investment income	64	7	24
Sales of investments awaiting settlement	–	227	38
Other receivables and prepayments	29	3	11
	93	237	73

8. Payables

	Unaudited 30.06.07 £000	Unaudited 30.06.06 £000	Audited 31.12.06 £000
Purchases of investments awaiting settlement	231	281	258
Management fee	109	–	89
Performance fee	626	–	–
Other creditors	136	227	147
	1,102	508	494

9. Share capital

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

Issued Share Capital	Number of shares	£000
Ordinary Shares of £0.01 each		
As at 1 January 2007	75,000,000	750
Issued during the period		
As at 30 June 2007	75,000,000	750

Notes to the unaudited consolidated financial statements (continued)

For the period from 1 January 2007 to 30 June 2007

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

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

10. Related party transactions

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

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

Robert King, a Director of the Company and its subsidiaries until 31 March 2007, was also a Director of the Administrator and Secretary, which are entitled to receive fees as detailed in the Admission Document. He resigned as director of the Administrator on 2 February 2007.

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

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

The Investment Manager, India Investment Partners Limited is entitled to receive a management fee payable jointly by the Company and the Mauritian companies equivalent to 1.5 per cent. per annum of the Company's Total Assets, calculated and payable monthly in arrears.

The Investment Manager is also entitled to receive a semi-annual performance related fee from the Company if the Net Asset Value per Share at the end of the half-year performance period (a) exceeds the Net Asset Value per Share at the start of the performance period by an annualised, annually compounded, rate of more than 10 per cent. (the "Performance Hurdle") and (b) exceeds by an annualised, annually compounded, rate of more than 10 per cent. the highest previously recorded Net Asset Value per Share at the end of the performance period in respect of which a performance fee was last paid (the High Water Mark). The performance fee will be an amount equal to 20 per cent. of the aggregate increase in the Net Asset Value above the High Water Mark. 50% of any performance fee received by the Manager (net of applicable taxes) is required to be reinvested in Ordinary Shares by purchase 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). A performance fee of £626,118 was paid on 6 July 2007 in respect of the six months ended 30 June 2007 and the appropriate proportion was reinvested by purchase of Ordinary Shares in the market.

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

11. Potential liabilities

The Group has purchased 812,500 warrants in Viceroy Hotels which are unlisted instruments which convey the right to acquire Ordinary Shares subject to the payment of designated amounts on designated dates. At the exchange rate ruling at 30 June 2007, the amount due to be paid in order to exercise the right is £796,276.

12. Subsequent events

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

India Capital Growth Fund

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