India Capital Growth Fund

Interim report and unaudited consolidated condensed financial statements

For period from 1 January 2009 to 30 June 2009

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unaudited consolidated
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Contents

Management and administration

Directors

Robert C. Nicholson (Acting Chairman)

Jamie M.B. Cayzer-Colvin

Ashok Dayal

Andrew R. Maiden

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Les Banques
St. Peter Port
Guernsey GY1 3QL

Investment Manager

India Investment Partners Limited
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Administrator and Secretary

Northern Trust International Fund
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International Financial Services Limited
IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Custodian

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Institutional Fund Services
8 Canada Square
London E14 5HQ

Management and administration (continued)

Nominated Adviser and Broker

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20 Ropemaker Street
London EC2Y 9AR

Registrar

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Chairman's statement

After the difficult market conditions which prevailed throughout 2008, it is encouraging to report that progress has been made in the first half of 2009. Net Asset Value increased by 13% despite a depreciation of the Rupee by 14% against sterling. For shareholders there was also a significant reduction in the discount to Net Asset Value at which the Company's shares are traded and the Company's share price increased by 52% between 1 January and 30 June 2009.

Although considerable uncertainty remains, there are signs that some stability may be returning to the world's financial markets and that the global economy may be on the verge of a modest recovery. Nevertheless the effect of the events of the last year or so is still taking its toll on business which has had to adjust to reduced levels of demand and credit.

On the positive side, in India the Reserve Bank of India has recently revised its GDP growth projection for the year to 31 March 2010 to +6.0% with an upward bias. This compares favourably with the IMF's recent projection in its World Economic Outlook (July 2009) that the global economy will contract by 1.4%. The Indian general election in May delivered a firm mandate to the Congress party and there is an expectation of stable government for the next five years.

Nevertheless there remains concern over the fiscal deficit and the expected weakness of the monsoon. Indian equity markets are particularly sensitive to short term foreign portfolio flows. They have risen rapidly as global liquidity has increased but there continues to be a risk that this could as easily and as rapidly reverse if liquidity is again constrained. Overall however we believe that the India story remains positive.

The companies in our portfolio have generally weathered the storm well and have emerged with sound balance sheets and business plans broadly intact. Most are focussed primarily on the domestic Indian market and can therefore take advantage of the domestic economy, rather than waiting for the rest of the world to catch up.

The Company has a concentrated portfolio which is built on fundamental analysis rather than the objective of tracking indices, and indeed, as noted in the Investment Manager's Report, in the period under review the performance fell short of the indices on a sterling adjusted basis. We believe the portfolio has the capacity to generate good returns for shareholders over time and we look forward to the future with a degree of confidence.

The absence from the Board of Micky Ingall following his untimely death earlier in the year is still very much felt by us all. We are now in the process of identifying a replacement for him on the Board and we expect to complete this process during the coming months.

On behalf of the Board

Robin Nicholson | Acting Chairman

8 SEPTEMBER 2009

Investment manager's report

Summary and the market environment

The anticipated volatility in the markets in the first half of 2009 became reality. The impact of the worldwide financial crisis and consequent recession took its toll, and overlaying this, for most of the period at least, there was the uncertainty arising from the (then) pending general election in India.

The first three months of the period (January to March) saw markets fall to their lowest level in more than 3 years. Worsening global economic news, uncertainty over the outcome of the Indian general elections and the continuing high interest rates faced by the corporate sector made most market participants, especially FIIs, extremely nervous. During this period the BSE Sensex increased 1%, the BSE Small Cap Index fell 12% and FIIs withdrew around USD 1.6 billion.

The second three months (April to June) saw the return to power of a Congress-led coalition with a comfortable majority and without the need for the support of the communists who had been part of the previous Congress-led government. This political stability and the expectation by FIIs of more free market policies and greater fiscal responsibility by the Congress government, together with an easing of global worries about the economic outlook and reduced domestic interest rates, drove markets sharply upwards. During this period the BSE Sensex rose 49%, the BSE Small Cap Index rose 77% and FIIs invested a net USD 6.3 billion into the Indian market.

Overall, the Net Asset Value of the Company increased by 13.1% in the first six months. An analysis of the performance is set out later in this report.

The Economy

While markets continue to react on sentiment with great volatility, the Indian economy during the first six months of 2009 has performed steadily. GDP for the year to 31 March 2009 rose 6.7% and the government forecast is for GDP to keep growing at 6.0% for the year to 31 March 2010. Despite monetary easing and fiscal stimulus by the government, most analysts expect GDP growth to slow to 6.0% – 6.5% amid the global economic crisis. Growth is expected to reduce further in first half of the fiscal year to March 2010, but recover in the second half.

Key challenges going forward are:

- The monsoon: This has so far been below normal but the Indian Meteorlogical Department as at 28 August 2009 was projecting the shortfall at 25% compared to an earlier forecast shortfall of 54%. Rural consumption will be affected, although not as much as originally feared, but food price inflation, already high, is expected to rise further putting pressure on local demand and consumption of other products and services.
- The high government fiscal deficit. The new budget fell short of expectations and projects a high central government deficit. Government borrowing may thus force interest rates up and make private sector borrowing more difficult and more expensive.
- Longer term – the possible return of inflation. Wholesale prices in India are falling – largely due to oil and commodities that India imports. However consumer price inflation which is driven by domestic factors has remained high and as at 31 July 2009 had risen to 11.89% per annum.

A possible unforeseen silver lining here is the fact that successive Indian governments have liberalised only when government finances are under pressure. This government is no different and has already announced its intention to sell down substantially from a wide range of government controlled companies and relax FDI rules further. This together with a stable level of domestic demand (that often surprises foreigners but is a result of over two decades of freer economic regulations) means that India should overcome the worst effects of the above risks and should continue growing at a pace much higher than nearly all other major global economies.

Performance

Table 1 summaries ICGF NAV and share price performance and also shows how rapidly equity market and select macroeconomic indicators changed over the six months to 30 June 2009.

During the period NAV grew by 13%, against 50% for the BSE Sensex and 56% for the BSE Small Cap Index. The weakness of the Rupee against sterling was a major factor in the NAV performance: Sterling rose by some 14.5% in the period, directly impacting the value of all our Rupee investments, as it is the Company's declared policy not to hedge the sterling/rupee exchange risk. Even so, on a sterling adjusted basis the portfolio underperformed the BSE Small Cap Index.

Table 1: Performance and index movements

Six months to June 2009	31.12.2008	30.06.2009	Change
ICGF			
NAV undiluted	42.9	48.5	+13.1%
Share Price	29.0	44.0	+51.7%
Equity Indices			
BSE Sensex	9,647.3	14,493.8	+50.2%
BSE Mid Cap Index	3,235.1	5,076.3	+56.9%
BSE Small Cap Index	3,683.1	5,740.0	+55.8%
Exchange Rates			
INR – GBP	70.02	80.08	–14.4%
INR – USD	48.45	47.87	–1.2%
FII Net Investment over prior six months	–USD 6.8 bn	+USD 4.7 bn	
Inflation (Wholesale Price Index)	5.86%	–1.55%	
Inflation (Consumer Price Index)	9.70%	9.29%	
Interest Rates (RBI Repo Rate)	6.50%	4.75%	–175 bps

Four holdings contributed particularly to this underperformance:

- Bilcare (more details of which are set out in the section on individual companies below) which was our largest holding at the year end, whose share price failed to move in the strong market recovery. Liquidity in the stock is very low, and FIIs hold little of the stock. An overhang of FCCBs issued in 2007 is being addressed and we are confident that the company's medium term prospects remain sound. It remains a core element of the portfolio.
- IOL, the share price of which fell 30% during the period. The company's business plan remains on track and necessary additional funding is now in place.
- Logix, the share price of which fell 15% during the period. Logix is exposed to the US automotive market which remains under severe pressure, although the company has continued to perform satisfactorily. Even so, the company is diversifying its business model and has USD 11 million in cash equivalent to Rs 43 per share, against a share price as at 30 June 2009 of Rs 67.
- Marwadi, our principal unlisted investment, where we have taken a cautious view and not changed the valuation of the holding in Rupee terms.

The portfolio remains concentrated (see Chart 1), in contrast to the BSE Small Cap Index which contains over 475 stocks, and inevitably this will result in performance diverging from the wider market. Nevertheless we believe that within each investee company there sits considerable value that will be recognized over time and will generate superior returns to investors. The portfolio remains focused on smaller companies (Chart 2), but in a diversified range of sectors (Chart 3).

Chart 1: A Concentrated Portfolio

Top 5 holdings as % of portfolio 45.7%

Top 10 holdings as % of portfolio 69.0%

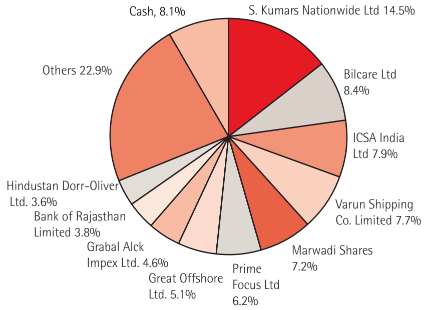
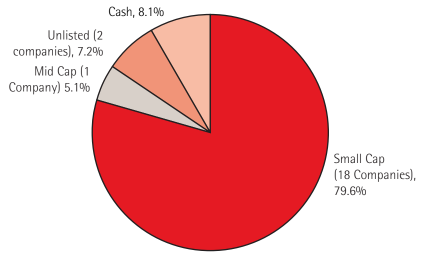
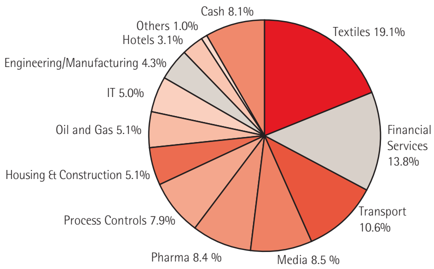


Chart 2: A focus on small and mid sized Companies



India Capital Growth Fund

Chart 3: Sector split of the portfolio (as at 30 June 2009)



Summary of Activity 1 January 2009 to 30 June 2009

Activity during the 6 months to 30 June 2009 was based on four main results of our analysis and thoughts:

i. We believe that the major companies in ICGF's portfolio continue to retain their sustainable competitive advantages, market positions and demand for their products and services. A summary of the market position for the top six companies representing more than 50% of the portfolio is shown below.

ii. We remain convinced that a concentrated portfolio has better longer term advantages than a widely diversified portfolio. The top 10 holdings as at 30 June 2009 made up 69% of the portfolio. We have thus remained patiently invested in these companies during the period despite highly volatile and now substantially lower share prices of these companies as compared to cost.

iii. Exits: We have or will exit from some of the micro cap holdings. A lesson from the market volatility of the last 18 months is that companies that are extremely small have found the present economic challenges too great a strain on their market positions and balance sheets. We thus exited from two such companies and are reducing our stakes in others. We also used the market upturn to exit from a large cap and another company where we saw no further upside from our positions.

iv. We continue to see a regular flow of interesting public and private companies but have not found any sufficiently attractive to invest in. We have remained patient and kept sufficient dry powder for the right opportunities when they emerge.

Throughout the period we have retained close and regular contact with all investee companies, monitoring progress and assisting where possible in a number of ways. Assistance has included help in shareholder communications, introduction to potential new investors, providing an external perspective on management information systems and internal audit processes, and views on capital raising and M&A activity.

Company	Market position
S Kumars Nationwide Limited	No. 1 in uniform fabrics (70% market share), No. 2 in suitings (15% market share). A branded apparels company selling branded clothes to the large consuming classes in India.
Bilcare Limited	Largest Indian company in pharmaceutical packaging and related clinical research. A clear No. 1 in India and a serious competitor worldwide.
ICSA India Limited	No. 1 provider of embedded software solutions for power transmission and distribution.
Varun Shipping Limited	No. 1 mid-sized LPG shipping company in India, over 70% market share. The only Indian company operating completely with double hull vessels
Marwadi Shares and Finance Limited	Fifth largest retail brokerage company in India (with an estimated 3% share of the total brokerage market) and a dominant position in the state of Gujarat. The best regulatory and compliance record amongst large Indian brokers.
Prime Focus Limited	No. 1 Indian company in integrated post production and visual effects studio with 60% market share in film and advertising industry in India. Now also providing services to international clients.

Top 10 Portfolio Companies

S Kumars Nationwide Limited

Market Capitalisation: GBP 124m

14.5% of Portfolio

4.3% of company

S Kumars Nationwide Limited ("SKNL") operates in the textile segment with a product range covering suiting, garments, apparels and home textiles. It is one of the largest textile companies in India and holds brands such as S Kumar's, Reid & Taylor, Belmonte and Carmichael House.

For the financial year ended 31 March 2009, the consolidated revenues were Rs 22,604 million (up 29% year on year). PAT after minority interest at Rs 1,766 million declined by 14% over the corresponding period due to some slowdown in demand for high end products. Also, during the year, SKNL acquired Italian shirting fabric manufacturer Legguino, whose low margins adversely affected SKNL's consolidated numbers. SKNL expects to turn around this company in 1-2 years. SKNL has fared relatively better than other textile companies in India over the last two years in terms of protecting sales and margins and cash conservation due to its focus on brands and its strong marketing network.

The company's wholly owned subsidiary SKNL North America B.V. along with its operating partner, Emerisque, (a London-based private equity firm) has been successful in its bid for substantially the whole of the assets of Hartmarx Corporation, a leading branded men's tailored clothing company in the USA for a total transaction value of USD 119 million. The acquisition is financed by USD 35 million from SKNL (from internal resources) and taking up Hartmarx's liabilities worth USD 84 million. SKNL has also announced a QIP issue of Rs 3.6 billion which will be used to finance the backward integration programme into SKNL.

As at 30 June 2009 the stock traded at a PE of 5.6x trailing twelve months EPS to 31 March 2009.

Bilcare Limited

Market Capitalisation: GBP 97m

8.4% of Portfolio

3.1% of company

Bilcare Limited provides research into and manufacture of pharmaceutical packaging. The company also provides services for pharmaceutical clinical trials. Over the past three years the company has developed a presence in USA, Brazil, UK, Germany and Singapore as a part of its strategy to provide services to its big and small pharmaceutical clients anywhere across the globe.

For the financial year ended 31 March 2009, the operating revenues on a consolidated basis were Rs 8,560 million, a growth of 32% over the comparable period last year, while PAT was 1.6% up over the comparable period last year. The PAT was affected by increased interest costs and costs associated with the newly started USA operations which are expected to start contributing to revenues in the coming quarters.

As at 30 June 2009 the company traded at a PE of 9.4x trailing twelve months EPS to 31 March 2009.

ICSA India Limited

Market Capitalisation: GBP 99m

7.9% of Portfolio

2.9% of company

ICSA India Limited ("ICSA") provides products and services to the power distribution companies. These products and services monitor transmission and distribution losses, a major problem in India. The company also has a presence in similar products for oil and gas transmission, water metering and gas metering. It is also engaged in setting up of substations and transmission lines.

For the financial year ended 31 March 2009, sales and PAT increased by 66% and 33% respectively over the last year. Operating margins during this period were slightly down at 24.1% (vs. 25.3% last year).

As at 30 June 2009 the company traded at a PE of 4.7x trailing twelve months EPS to 31 March 2009.

Varun Shipping Limited

Market Capitalisation: GBP 105m

7.7% of Portfolio

2.6% of company

Varun Shipping Limited is India's largest gas carrying shipping company and a leading midsized LPG shipping company worldwide. The company also has a presence in oil and gas anchor handling ships (owning and operating India's largest such vessels) and is the only Indian company to operate exclusively in the higher end double hull ships.

For the financial year ended 31 March 2009, the revenues were Rs 9,147 million (8% up from the same period last year). Net profit (adjusted for one-off items of exchange related gains and provisions) was Rs 1,143 million (21% up from the same period last year).

As at 30 June 2009 the company traded at a PE of 7.3x trailing twelve months EPS to 31 March 2009. The company has a history of high payout ratios and as at 30 June 2009 the dividend yield was 9%.

Marwadi Shares and Finance Limited

7.2% of Portfolio

12.2% of company

Marwadi Shares and Finance Limited, an unlisted company, is one of India's largest retail brokers. As at 31 March 2009 the company had 750 branches. For the same period, the company has added 17,652 clients and the total clients now stand at 133,184.

For the financial year ended 31 March 2009 (unaudited results), the company's operating income decreased 36% to Rs 788 million, and net profit declined by 64% to Rs 129 million over the comparable period last year. However the company remained profitable and has sufficient cash of INR 1,700 million to survive a lean period.

The company has very strong operational and risk controls. In its 14 years of existence there has never been any default to stock exchanges. The company has developed strong ties with its clients by servicing them and providing research reports in their own regional language.

The company has started to provide services to institutional clients through a franchise arrangement with an institutional broker based in Mumbai.

The annual results show no material difference from our earlier estimates and we have considered it prudent not to change any of the underlying assumptions for the appraised valuation. The implied PE at ICGF's carrying value as at 30 June 2009 is 13.4x trailing twelve months EPS to 31 March 2009.

Prime Focus Limited

Market Capitalisation: GBP 29m

6.2% of Portfolio

7.8% of company

The company, which provides post-production services to the film, television and advertising industries, has 12 studios, six in India and six overseas.

For the financial year ended 31 March 2009, operating income increased by 60% over the comparable period last year to Rs 3,544 million but PAT declined by 58% (adjusted for one off items). The PAT fall was mainly due to an increase in depreciation (as equipment rental assets were capitalised) and higher interest cost. While the Indian operations continue to do well, the UK and US subsidiaries have been hit by the economic slowdown and also the Writer's Guild of America strike which has now ended.

To expand its global business the company has appointed Michael Constantine as its global marketing director. Prior to this appointment, Constantine was Leo Burnett (International Advertising company) – Philippines CEO.

As at 30 June 2009 the company traded at a PE of 15.6x trailing twelve months EPS to 31 March 2009.

Great Offshore Limited

Market Capitalisation: GBP 195m

5.1% of Portfolio

0.9% of company

Great Offshore Limited is an offshore oilfield services (support vessels and drill ships) provider to upstream oil and gas producers, with 41 assets in various segments – offshore supply vessels, rigs, construction barge and harbor tugs.

For the financial year ended 31 March 2009, the consolidated operating revenue was Rs 11,393 million (43% up from the same period last year) and net profit was Rs 2,751 million (36% up from the same period last year).

Bharati Shipyard (with 14.8% stake) has made an open offer to acquire 20% additional stake at Rs 344 per share, and was rivalled by ABG Shipyard at Rs 375 per share. Bharati Shipyard responded by raising the open offer price to Rs 405 per share. During this bidding price war, we took advantage of the rising stock price and have fully exited from Great Offshore in July 2009 at a price above that of these competing offers.

As at 30 June 2009 the company traded at a PE of 5.8x trailing twelve months EPS to 31 March 2009.

Grabal Alok Impex Limited

Market Capitalisation: GBP 19m

4.6% of Portfolio

8.9% of company

Grabal Alok Impex Limited is engaged in manufacture and sale of embroidered fabrics exported to primarily to African countries as well as sold locally in India. Based on projected capacities the company would become one of the largest embroidered fabric manufacturers in Asia next year. The company also has a significant stake in a low cost UK retailer.

For the financial year ended 31 March 2009, the operating revenue (at Rs 1,377 million) grew 18% over the last year and PAT increased by 17% over the same period. Operating margins increased from 29.7% to 34.3%, although increased interest expense offset much of this achievement.

As at 30 June 2009 the company traded at a PE of 10.3x trailing twelve months EPS to 31 March 2009.

Bank of Rajasthan Limited

Market Capitalisation: GPB 121m

3.8% of Portfolio

1.2% of company

Bank of Rajasthan Limited is a leading Private Sector Bank, having branches all over India but a prominent presence in Rajasthan and having specialised forex and industrial finance branches. For the financial year ended March 31 2009 the net interest income was Rs 3,852 million, a growth of 23% over same period last year and net profit was Rs 1,177 million (2% up from the same period last year).

As at 30 June 2009 the company traded at a PE of 8.2x trailing twelve months EPS to 31 March 2009.

Hindustan Dorr-Oliver Limited

Market Capitalisation: GBP 44m

3.6% of Portfolio

2.9% of company

Hindustan Dorr Oliver Limited ("HDO") is an EPC (engineering procurement and commissioning) company. Its core business activities are providing engineered solutions and technologies, EPC installations in liquid-solid separation projects, mineral processing/beneficiation, pulp/paper processing, environmental management and fertilizers and chemicals. It is one of the niche players focused on environmental engineering, mineral beneficiation and engineering equipment manufacturing.

For the financial year ended 31 March 2009, the consolidated operating revenue was Rs 5,133 million (68% up from the same period last year) and net profit was Rs 302 million (33% up from the same period last year). As at 30 June 2009 the company traded at a PE of 11.8x trailing twelve months EPS to 31 March 2009.

Conclusion

We have not made any radical changes to the composition of the portfolio. As set out in the Admission Document we have invested in companies that we believe are well managed, with sound business plans and good prospects for long term growth. We have not deviated from this policy. The portfolio remains concentrated in number of stocks but broadly spread geographically and by industry, with a predominant focus on companies exposed to the domestic Indian growth story.

India Investment Partners Limited

8 SEPTEMBER 2009

Directors' report

The Directors present their interim report and the unaudited consolidated condensed financial statements of the Group for the period from 1 January 2009 to 30 June 2009.

The Company

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 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 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 statement of comprehensive income on page 16.

The Directors do not recommend the payment of a dividend for the period ended 30 June 2009.

Substantial interests

Shareholders who at 2 September 2009 held an interest of 3% or more of the Ordinary Share Capital of the Company are stated in Table 2 below:

Table 2: Substantial interests

	NO. SHARES	% HOLDING
Caledonia Investments Plc	17,983,830	23.98
Diprivest Inc	5,000,000	6.67
Pershing Keen Nominees Limited	4,779,631	6.37
Goldman Sachs Securities (Nominees) Limited	4,225,585	5.63
Nortrust Nominees Limited	3,902,690	5.20
Chase Nominees Limited	3,342,600	4.46
Rathbone Nominees Limited	3,304,366	4.41
HSBC Global Custody Nominee (UK) Limited	2,755,860	3.67
State Street Nominees Limited	2,509,571	3.35

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%).

Directors' report (continued)

At 2 September 2009, the Manager, India Investment Partners Limited, and connected persons (not elsewhere disclosed) held in aggregate 2,257,111 (3.01%) shares arising principally from the reinvestment of past performance fees in accordance with the management agreement.

So far as the Board is aware the only holdings of warrants which if converted would amount to an interest of 3% or more in the Ordinary Share Capital of the Company are as listed in Table 3:

Table 3: Substantial holdings of warrants

NAMES	HOLDING OF WARRANTS	% OF ENLARGED ORDINARY SHARE CAPITAL IF EXERCISED ASSUMING FULL CONVERSION
Chase Nominees Limited	3,660,000	4.07%
Caledonia Investments Plc	3,300,000	3.67%

Warrants

The first exercise period for warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share ran from 23 April 2009 to 21 May 2009. 63 warrants were exercised and the share capital of the Company increased by 63 ordinary shares. At 30 June 2009, 14,999,937 warrants were in issue and these are exercisable between the expiry of four weeks and the expiry of eight weeks following the publication of the Company's audited annual accounts in each of the years 2010 and 2011.

Directors

The names of the directors of the Company, who served throughout the year, are set out on page 1. Michael L Ingall, Chairman since the launch of the Company in 2005, died on 28 February 2009. The Board appointed Robert C Nicholson as Acting Chairman with effect from 3 March 2009.

Directors interests

At 2 September 2009, directors and their immediate families held the following declarable interest in the Company:

	Ordinary Shares	Warrants
Jamie M.B. Cayzer-Colvin	50,000	10,000

Andrew R. Maiden represents the Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited, on the Board.

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

The arrangements with the Investment Manager are set out in Note 9.

Approved by the Board of Directors and signed on behalf of the Board on 8 September 2009.

R. C. Nicholson
A. R. Maiden
Directors

8 SEPTEMBER 2009

Independent review report

Introduction

We have been engaged by the Company to review the condensed set of interim consolidated financial statements for the period 1 January 2009 to 30 June 2009 which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related notes 1 to 11.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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 financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report as required by the AIM rules issued by the London Stock Exchange.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with ISRE (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurances that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period 1 January 2009 to 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34.

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

8 SEPTEMBER 2009

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 2009

HOLDING	TYPE	SECTOR	VALUE £000'S	% OF PORTFOLIO
S Kumars Nationwide Limited	Small Cap	Textiles	5,265	14.48
Bilcare Limited	Small Cap	Pharmaceutical services & packaging	3,057	8.41
ICSA India Limited	Small Cap	Process controls	2,893	7.96
Varun Shipping Limited	Small Cap	Shipping	2,784	7.66
Marwadi Shares and Finance Limited	Unlisted	Financial Services	2,619	7.20
Prime Focus Limited	Small Cap	Media	2,253	6.20
Great Offshore Limited	Mid Cap	Offshore oil & gas services	1,851	5.09
Grabal Alok Impex Limited	Small Cap	Textiles	1,674	4.60
Bank of Rajasthan Limited	Small Cap	Financial Services	1,391	3.82
Hindustan Dorr-Oliver Limited	Small Cap	Engineering	1,303	3.58
Total top 10 investments			**25,090**	**69.00**
Other Small Cap (10 companies)			8,319	22.87
Other Unlisted (1 company)			–	–
Total investments			**33,409**	**91.87**
Cash and other net current assets			2,955	8.13
Total Portfolio			**36,364**	**100.00**

Portfolio statement

As at 30 June 2009

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Listed securities			
Airlines			
SpiceJet Limited	4,312,820	1,056	2.90
		1,056	2.90
Engineering/other manufacturing			
El Forge Limited	1,222,064	274	0.76
Hindustan Dorr-Oliver Limited	1,056,336	1,303	3.58
		1,577	4.34
Financial services			
Bank of Rajasthan Limited	1,858,772	1,391	3.82
Prime Securities Limited	2,412,000	997	2.74
		2,388	6.56
Hotels			
Viceroy Hotels Limited	2,700,616	1,113	3.06
		1,113	3.06
Housing & construction			
Arihant Foundations and Housing Limited	694,500	982	2.70
MSK Projects (India) Limited	819,726	879	2.42
		1,861	5.12
IT			
IT People India Limited	5,132,952	627	1.72
Logix Microsystems Limited	1,427,000	1,194	3.28
		1,821	5.00
Media			
IOL Netcom Limited	1,915,744	825	2.27
Prime Focus Limited	995,286	2,253	6.20
		3,078	8.47
Offshore oil & gas services			
Great Offshore Limited	351,914	1,851	5.09
		1,851	5.09
Pharmaceutical services & packaging			
Bilcare Limited	541,566	3,057	8.41
		3,057	8.41
Process controls			
ICSA India Limited	1,375,930	2,893	7.96
		2,893	7.96

continued on page 15

Portfolio statement (continued)

As at 30 June 2009

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Retail			
Brandhouse Retails Limited (See note below)	1,263,875	372	1.02
		372	1.02
Shipping			
Varun Shipping Limited	3,955,063	2,784	7.66
		2,784	7.66
Textiles			
Grabal Alok Impex Limited	1,936,794	1,674	4.60
S Kumars Nationwide Limited	9,496,847	5,265	14.48
		6,939	19.08
Total listed securities		**30,790**	**84.67**
Unlisted Securities			
Financial services			
Marwadi Shares and Finance Limited	1,680,976	2,619	7.20
IT			
CitiXsys Technologies Private Limited	817,650	–	–
Total unlisted securities		**2,619**	**7.20**
Total investments		**33,409**	**91.87**
Cash and other net current assets		**2,955**	**8.13**
Total Portfolio		**36,364**	**100.00**

Note: The interest in Brandhouse Retails Limited of 1,263,875 Ordinary Shares includes 260,531 Ordinary Shares (value £77,000) which are held in a Trust which arose on the demerger of the company from S Kumars Nationwide Limited in order to comply with Reserve Bank of India restrictions on foreign holdings in multiple brand retail companies. This portion of the holding is required to be sold by the Trustees in the period to 30 September 2009.

Unaudited consolidated statement of comprehensive income

For the six months to 30 June 2009

	NOTES	Revenue £000	Capital £000	Unaudited Six months to 30.06.09 Total £000	Unaudited Six months to 30.06.08 Total £000	Audited Year to 31.12.08 Total £000
Income						
Fixed deposit interest		1	-	1	105	150
Bank interest income		-	-	-	11	16
Investment income		94	-	94	178	553
		95	–	95	294	719
Net gains/(losses) on financial assets at fair value through profit or loss						
Market movements	2	-	14,800	14,800	(67,637)	(103,617)
Foreign exchange movements	2	-	(9,881)	(9,881)	(4,204)	13,289
		–	4,919	4,919	(71,841)	(90,328)
Total income		**95**	**4,919**	**5,014**	**(71,547)**	**(89,609)**
Expenses						
Management fee	9	(228)	-	(228)	(548)	(849)
Cost of acquisition and disposal of investments		-	(6)	(6)	(111)	(160)
Foreign exchange (losses)/gains		(332)	(2)	(334)	(64)	187
Other expenses	3	(233)	-	(233)	(230)	(441)
Total expenses		**(793)**	**(8)**	**(801)**	**(953)**	**(1,263)**
Profit/(loss) for the period/year before taxation		(698)	4,911	4,213	(72,500)	(90,872)
Taxation	6	-	-	-	(7)	(17)
Profit/(loss) for the period/year after taxation		**(698)**	**4,911**	**4,213**	**(72,507)**	**(90,889)**
Earnings/(loss) per Ordinary Share – Basic (pence)	4			5.62	(96.68)	(121.19)
Earnings/(loss) per Ordinary Share – Diluted (pence)	4			5.62	(96.68)	(121.19)

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

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

The notes on pages 21 to 28 form part of these financial statements.

Unaudited consolidated statement of changes in equity

For the six months to 30 June 2009 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2009		750	2,689	(43,073)	(1,092)	72,877	32,151
Gain/(loss) on investments	2	–	(7,870)	22,670	–	–	14,800
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(698)	–	(698)
Cost of acquisition and disposal of investments		–	(4)	(2)	–	–	(6)
(Loss)/gain on foreign currency		–	1,190	(11,073)	–	–	(9,883)
Balance as at 30 June 2009		**750**	**(3,995)**	**(31,478)**	**(1,790)**	**72,877**	**36,364**

For the six months to 30 June 2008 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2008		750	(2,729)	52,713	(571)	72,877	123,040
(Loss)/gain on investments	2	–	8,955	(76,592)	–	–	(67,637)
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(616)	–	(616)
Cost of acquisition and disposal of investments		–	(58)	(53)	–	–	(111)
Loss on foreign currency		–	(2,047)	(2,096)	–	–	(4,143)
Balance as at 30 June 2008		**750**	**4,121**	**(26,028)**	**(1,187)**	**72,877**	**50,533**

The notes on pages 21 to 28 form part of these financial statements.

Unaudited consolidated statement of changes in equity (continued)

For the year ended 31 December 2008 (audited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	CAPITAL RESERVE UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2008		750	(2,729)	52,713	(571)	72,877	123,040
(Loss)/gain on investments	2	–	6,813	(110,430)	–	–	(103,617)
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(521)	–	(521)
Cost of acquisition and disposalof investments		–	(70)	(90)	–	–	(160)
Gain/(loss) on foreign currency		–	(1,325)	14,734	–	–	13,409
Balance as at 31 December 2008		**750**	**2,689**	**(43,073)**	**(1,092)**	**72,877**	**32,151**

The notes on pages 21 to 28 form part of these financial statements.

Unaudited consolidated statement of financial position

As at 30 June 2009

	NOTES	Unaudited 30.06.09 £000	Unaudited 30.06.08 £000	Audited 31.12.08 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	5	33,409	45,285	28,915
Current assets				
Cash and cash equivalents		3,048	5,637	3,431
Receivables		25	13	8
		3,073	5,650	3,439
Current liabilities				
Payables		(118)	(402)	(203)
Net current assets		2,955	5,248	3,236
Total assets less current liabilities		**36,364**	**50,533**	**32,151**
Equity				
Ordinary share capital	8	750	750	750
Reserves		35,614	49,783	31,401
Total equity		**36,364**	**50,533**	**32,151**
Number of Ordinary Shares in issue		**75,000,063**	**75,000,000**	**75,000,000**
Undiluted Net Asset Value per Ordinary Share (pence)		**48.49**	**67.38**	**42.87**
Fully diluted Net Asset Value per Ordinary Share (pence)		**48.49**	**67.38**	**42.87**

The unaudited condensed financial statements on pages 16 to 28 were approved by the Board of Directors on 8 September 2009 and signed on its behalf by:

R. C. Nicholson
A. R. Maiden
Directors

8 SEPTEMBER 2009

The notes on pages 21 to 28 form part of these financial statements.

India Capital Growth Fund

Unaudited consolidated statement of cash flows

For the six months to 30 June 2009

	Unaudited Six months to 30.06.09 £000	Unaudited Six months to 30.06.08 £000	Audited Year to 31.12.08 £000
Cash flows from operating activities			
Investment income	94	179	554
Fixed deposit interest	1	105	150
Bank interest	–	13	19
Management fee	(224)	(653)	(975)
Performance fee	–	(7,654)	(7,654)
Other cash payments	(313)	(304)	(422)
Net cash outflow from operating activities	**(442)**	**(8,314)**	**(8,328)**
Cash flows from investing activities			
Purchase of investments	(710)	(30,772)	(40,249)
Sale of investments	1,107	35,015	42,157
Transaction charges relating to the purchase and sale of investments	(6)	(111)	(160)
Net cash inflow from investing activities	**391**	**4,132**	**1,748**
Net decrease in cash and cash equivalents during the period/year	(51)	(4,182)	(6,580)
Cash and cash equivalents at the start of the period/year	3,431	9,944	9,944
Exchange (losses)/gains on cash and cash equivalents	(332)	(125)	67
Cash and cash equivalents at the end of the period/year	**3,048**	**5,637**	**3,431**

The notes on pages 21 to 28 form part of these financial statements.

Notes to the unaudited consolidated condensed financial statements

For the six months to 30 June 2009

1. Accounting policies

Basis of accounting

The unaudited interim consolidated condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

The same accounting policies have been adopted in these financial statements as in the annual report and audited financial statements for the year ended 31 December 2008.

Basis of preparation

The unaudited interim consolidated condensed financial statements for the six months ended 30 June 2009 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Group's investments to fair value and in accordance with IAS 34: Interim Financial Reporting.

The unaudited interim consolidated condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

Presentation of financial statements

IAS 1 (revised 2007) is effective for annual periods beginning on or after 1 January 2009. The revised standard has introduced a number of terminology changes including revised titles for the financial statements. However, the revised standard has had no impact on the reported results or financial position of the Group.

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

1. Accounting policies (continued)

Expenses

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

Taxation

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

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

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. The Directors' estimates are based on an assessment of the available financial information on the underlying company, including a discounted cash flow appraisal and comparisons with the valuations of comparable listed companies, but taking account of the unlisted status.

Foreign currency translation

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

Foreign currency assets and liabilities, including investments at fair value through profit or loss, are translated into Sterling at the rate of exchange ruling at the statement of financial position date. Investment transactions and income and expenditure items are translated at the rate of exchange ruling at the date of the transactions. Gains and losses on foreign exchange are included in the statement of comprehensive income.

Cash and cash equivalents

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

Notes to the unaudited consolidated condensed financial statements (continued)

For the six months to 30 June 2009

1. Accounting policies (continued)

Standards, interpretations and amendments to published statements not yet effective

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

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

	Unaudited Six months to 30.06.09 £000	Unaudited Six months to 30.06.08 £000	Audited Year to 31.12.08 £000
Realised (loss)/gain			
Proceeds from sales of investments during the period/year	1,107	31,827	38,969
Original cost of investments sold during the period/year	(7,785)	(24,980)	(33,601)
(Loss)/gain on investments sold during the period/year	(6,678)	6,847	5,368
Market (loss)/gain	(7,870)	8,955	6,813
Foreign exchange gain/(loss)	1,192	(2,108)	(1,445)
Unrealised market gain/(loss)			
Previously recognised unrealised loss/(gain) now realised	7,914	(25,637)	(25,319)
Current period market gain/(loss)	14,756	(50,955)	(85,111)
Market gain/(loss)	22,670	(76,592)	(110,430)
Unrealised market gain/(loss) of listed securities	22,240	(76,164)	(108,555)
Unrealised market gain/(loss) of unlisted securities	430	(428)	(1,875)
Unrealised foreign exchange (loss)/gain			
Previously recognised unrealised foreign exchange (gain)/loss now realised	(1,387)	2,417	1,475
Current period foreign exchange (loss)/gain	(9,686)	(4,513)	13,259
	(11,073)	(2,096)	14,734
Net gain/(loss) on financial assets deignated at fair value through profit or loss	4,919	(71,841)	(90,328)

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

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

Investments in participatory notes are denominated in US Dollars, even though the underlying exposure is in Indian Rupees, and consequently in relation to these investments the foreign exchange gains/losses reported above reflect movements between the US Dollar and the Pound Sterling. Any currency effect arising as a result of movements in rates between the US Dollar and the Indian Rupee is reported as part of market gains/losses since it is reflected in the price of the participatory note. The amount of market gain in the period which is attributable to currency movements between the US Dollar and the Indian Rupee is approximately £37,000 (six months to 30.06.2008 – loss of £1,086,000; year to 31.12.2008 – loss of £1,907,000). During the period, certain participatory note holdings were converted to direct holdings of the underlying securities. These conversions were effected by way of a sale of the participatory note and a simultaneous purchase of the underlying security and accounted for accordingly.

3. Other expenses

Revenue	Unaudited Six months to 30.06.09 £000	Unaudited Six months to 30.06.08 £000	Audited Year to 31.12.08 £000
Directors' fees (note 9)	30	43	85
D&O insurance	8	8	16
Administration and secretarial fees (note 9)	61	74	120
Audit fee	19	19	38
Custody fees	11	13	26
Other advisory services	22	25	49
Warrant exercise period expenses	10	–	–
General expenses	72	48	107
	233	230	441

4. Earnings/(loss) per share

Diluted earnings per Ordinary Share is calculated on the basis that the 14,999,937 (30.06.2008: 15,000,000) warrants in issue were exercised at the start of the period with the proceeds of £14,999,937 (30.06.2008: £15,000,000) being used to repurchase Ordinary Shares at the average market price during the period. 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. In 2008, diluted earnings per Ordinary Share was equal to the basic earnings per Ordinary Share because the average share price during the year was less than the consideration which would have been received for the potential Ordinary Shares, therefore having no dilutive effect.

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

	Six months to 30.06.09 Listed £000	Six months to 30.06.09 Unlisted £000	Unaudited Six months to 30.06.09 Total £000	Unaudited Six months to 30.06.08 Total £000	Audited Year to 31.12.08 Total £000
Cost as at 1 January	67,123	4,234	71,357	64,681	64,681
Purchases	682	–	682	31,018	40,277
Sales	(1,107)	–	(1,107)	(31,827)	(38,969)
Transfer from unlisted to listed *	393	(393)	–	–	–
Realised (loss)/gain on sales of investments	(6,678)	–	(6,678)	6,847	5,368
Cost at end of period/year	60,413	3,841	64,254	70,719	71,357
Unrealised loss on revaluation	(32,420)	(1,470)	(33,890)	(22,722)	(56,560)
Unrealised foreign exchange gain/(loss) on revaluation	2,797	248	3,045	(2,712)	14,118
Fair value at end of period/year	30,790	2,619	33,409	45,285	28,915
Fair value of listed securities at end of the period/year			30,790	41,522	25,598
Fair value of unlisted securities at end of the period/year			2,619	3,763	3,317

*The transfer from unlisted to listed represents the cost attributed to the demerged part of a listed group, where the listing of the shares in the demerged company had become effective on 27 March 2009.

Investments may be held as direct equities or as participatory notes, convertible debentures and warrants.

	Listed £000	Unlisted £000	Unaudited 30.06.09 Total £000	Unaudited 30.06.08 Total £000	Audited 31.12.08 Total £000
Equities	26,643	2,619	29,262	40,025	24,902
Participatory notes	4,147	–	4,147	5,260	4,013
	30,790	2,619	33,409	45,285	28,915

The fair value of material holdings in unlisted investments is based on discounted cash flow appraisal benchmarked to price and earnings data of comparable quoted companies. The discounted cash flow method requires the use of non-observable inputs such as weighted average cost of capital (12.5%; 2008 – 12.5%), terminal growth rate (4%; 2008 – 4%) and a discount rate to take account of illiquidity (30%; 2008 – 30%). The underlying cash flows are based on a range of possible outcomes to which a probability distribution analysis is applied. The latter is based on a matrix of market strength and performance relative to market using, inter alia, an 81% (2008 – 81%) probability of a combination of weak markets and underperformance relative to market.

6. Taxation

Guernsey

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

Mauritius

ICG Q Limited 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 India and Mauritius. Each company holds a valid Certificate of Residence from the Mauritian Commissioner of Income Tax.

ICG Q Limited and ICG U Limited are subject to income tax in Mauritius on net income at 15 per cent. (2008: 15 per cent.). However, the companies are entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80 per cent. of the Mauritius tax on foreign source income.

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

India

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

7. 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. Equally, in relation to business segmentation, the Group's investments are predominantly in the small and mid-cap arena and it is considered that given the relative illiquidity of the listed market for such investments, particularly since many remain controlled by the promoter groups, the risks and rewards are not materially different whether the investments are listed or unlisted. Assessment of performance by the Board and investment decisions by the 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 5.

8. Share capital

Authorised Share Capital	£000
Unlimited number of Ordinary Shares of £0.01 each (At 30 June 2009)	–
125,000,000 Ordinary Shares of £0.01 each (At 31 December 2008)	1,250

Issued Share Capital	Number of shares	Share capital £000
Ordinary Shares of £0.01 each		
At 30 June 2009	75,000,063	750
At 31 December 2008	75,000,000	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.

The first exercise period for warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share was from 23 April 2009 to 21 May 2009. 63 warrants were exercised and the share capital of the Company increased by 63 Ordinary Shares. At 30 June 2009, 14,999,937 warrants were in issue and these are exercisable between the expiry of four weeks and the expiry of eight weeks following the publication of the Company's audited annual accounts in each of the years 2010 and 2011.

The Company adopted a new Memorandum and Articles of Incorporation on 9 June 2009. The Company is now permitted to issue an unlimited number of Ordinary Shares of par value £0.01 each.

9. Related party transactions

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

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

Jamie 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 other Director (note 3).

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 £228,000 (30.06.2008: £548,000) for management fees during the period ended 30 June 2009 of which £45,000 (31.12.2008: £41,000) was outstanding at 30 June 2009.

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"). At 30 June 2009, the High Water Mark was 201.20 pence per share.

9. Related party transactions (continued)

The performance fee is an amount equal to 20 per cent. of the aggregate increase in the Net Asset Value above the High Water Mark. 50 per cent. of any performance fee payable (net of all attributable taxes) is required to be reinvested in Ordinary Shares purchased in the market (if Ordinary Shares are trading at a discount to NAV) or by subscription for new shares at NAV (if the Ordinary Shares are trading at a premium). No performance fee was paid in respect of the period ended 30 June 2009 (30.06.2008: £Nil).

Under the terms of the Administration and Secretarial Agreement, Northern Trust International Fund Administration Services (Guernsey) Limited is entitled to a fee calculated on the Net Asset Value of the Company of 0.125 per cent. per annum on the first £50 million of Net Asset Value, 0.10 per cent. per annum on the next £50 million of Net Asset Value and 0.05 per cent. on any Net Asset Value in excess of £100 million, payable quarterly (subject to a minimum annual fee of £75,000). The administrator is also entitled to reimbursement of out of pocket expenses incurred in the performance of its duties. The administrator earned £37,000 (30.06.2008: £43,000) for administration and secretarial fees during the period ended 30 June 2009 of which £19,000 (31.12.2008: £17,000) was outstanding at 30 June 2009.

10. Contingent liabilities

The directors are not aware of any contingent liabilities as at 30 June 2009 (2008: Nil).

11. 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.

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