India
Capital Growth Fund

Interim report and unaudited consolidated condensed financial statements

For period from 1 January 2010 to 30 June 2010

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Contents

Management and administration

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Chairman's statement

In my review in the last Annual Statement I reported that the Board had completed a review of the investment policy and strategy which had resulted in the appointment by the Manager of a new, experienced fund manager to oversee the Company's investments and a change of approach. This, while remaining true to the core investment policy of focussing on the mid and small cap sectors in India, would lead to a less concentrated portfolio and greater liquidity in the underlying investments. The effects of this change of approach are now beginning to show through. While there is still further work to do before the restructuring of the portfolio is complete, the number of stocks in the portfolio has increased from 15 to 33 and the liquidity profile has improved considerably.

The result has been an increase in the Net Asset Value of 14.3%, outperforming the BSE Mid-cap index which rose 6.4% in INR terms and 14.0% on a Sterling adjusted basis, Sterling having depreciated by 6.6% against the Rupee in the six month period. It is worth mentioning that some of this outperformance has come from long standing constituents of the portfolio. Nevertheless the initial results of the new approach augur well for the future. For shareholders, there has also been a narrowing of the discount to NAV at which the Company's shares trade. At 31 December 2009 the discount was 31.2%, but at 30 June 2010 this had narrowed to 10.1%, contributing to an overall increase in the Company's share price of almost 50% over the period. A more detailed review of progress is set out in the Investment Manager's Report on pages 4 to 10.

India has now been recognised publicly by the UK Government as a country of particular importance, and there has been talk of the desirability of forging a "special relationship" between the two countries. In the short term, some of the other BRIC stock markets may produce whizzier performance as a result of their lower ratings (as measured by forward P/E ratios). However, looking at the medium term, we continue to view India's economy and stock market as having the soundest fundamentals and greatest potential. The combination of democracy, sound legal and financial systems, and a core highly educated and technologically advanced workforce is compelling. The challenge for the Indian Government is to create a larger core; but given their thirst for progress, this should be achievable.

The saga of the proposed EU Directive (AIFM) seeking further to regulate the financial services sector rumbles on. It was originally intended that the new Directive would be adopted by the European Parliament in July 2010. This deadline has been missed, as there is still a material gap between the views of the Commission, the Council of Ministers and the Parliament, and the aim is now for it to be completed in September. Meanwhile, the Presidency moves on again, this time to the Belgians. Until the conflicting views of the various EU hierarchies are reconciled, there is no certainty of the impact on conventional closed-ended funds such as us, who, despite their solid track record, have been caught up in the political knee-jerk of the credit crunch for which hedge funds and private equity funds have been, for the most part unjustifiably, blamed. We remain wholly supportive of the efforts of the Association of Investment Companies in their lobbying.

The changes put in train at the end of last year are beginning to show fruit. The portfolio is performing well in both absolute and relative terms, and the narrowing of the discount to a level more in line with our peer group indicates stronger interest in the Company from investors. The economic arguments in favour of India continue, and the satisfactory monsoon should relieve some pressure from inflation. We have reason to be optimistic for the future.

Fred Carr | Chairman

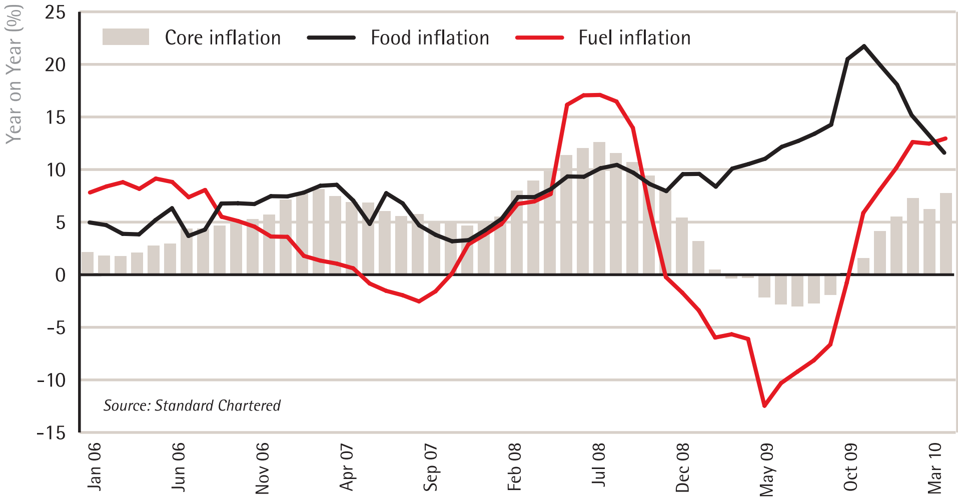
14 SEPTEMBER 2010

Investment manager's report

Economic Update

2009 witnessed the height of the global financial crisis and the start of the initial recovery phase in global markets, a period in which Indian equities performed spectacularly well. The first half of 2010 saw India's economic growth continue the strong momentum initiated in 2009, performing above expectations and trend, and confirming that the economy had moved quickly into the "second phase" of the industrial cycle. This phase is traditionally characterised by strong GDP growth driven by increased levels of confidence in the sustainability of the recovery, low nominal interest rates, the commencement of a tightening cycle as the output gap narrows, healthy corporate profitability and rising demand for credit.

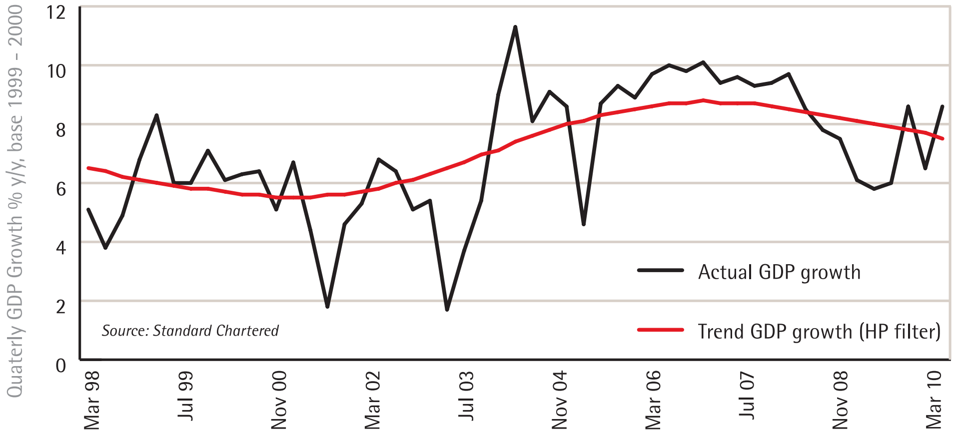
Chart 1: Contradictory inflationary pressures



In India's case all these boxes were ticked in the six months to June with varying degrees of accomplishment. Inevitably this positive flow of good macro-economic data does not come without areas of concern. Current issues that continue to "dog" investors who track India are the persistently high fiscal deficit both at Central and State governmental level, a rising current account deficit (discussed later) and inflation. These anxieties are compounded somewhat when considering the current price to earnings premium that India enjoys over other BRIC economies. The most striking of these matters has been the course of inflation which has remained both high and sticky (see chart 1).The reported data has been consistently above the Reserve Bank of India (RBI) and the market's expectations. The initial cause of the problem was elevated food prices as a consequence of a poor monsoon in 2009 but as the recovery strengthened the inflation "generalised" to the manufacturing and service areas of the economy. This is "demand pull" and not "supply led" inflation and has already permeated wages in the financial sector, IT and Telecoms in particular as well in the manufacturing sector via higher imported raw material costs and fuel prices, forcing companies to pass on increased costs to consumers in order to protect margins. The RBI has responded by raising interest rates by a half of one per cent as well as increasing the cash reserve requirement (the amount of money commercial banks must park with the RBI) by three quarters of one per cent to date. We fully expect this trend to continue for some time as real interest rates remain in negative territory and growth continues to surprise on the upside. The RBI has not been as aggressive as many would have expected, not least because they do not wish to choke off the recovery, but also because food price inflation was expected (and has started) to fall as the high base effect falls out of the numbers. The concern though remains that the policy makers are still "behind the curve" and that further and more aggressive rate rises are needed to prevent inflation from becoming too entrenched.

Currently the outlook for the monsoon for 2010 is healthy with the levels of rainfall in line with the

Chart 2: Back to trend growth



Economic Update (continued)

historic averages. Our expectation is that inflation in the Indian economy is going to be a persistent theme for many years to come as the country's poor infrastructure and shortage of skilled labour struggles to cope with the frantic pace of growth. Additionally food is a high component of the consumer inflationary basket, on account of its prominence within the average Indian's (very low) discretionary income. Pressure here is likely to intensify as real incomes rise and the demand for better quality food products increases. Over the medium term, however, as the country's productivity levels improve (determined by better transportation, storage and distribution) and overall capacity in the economy expands, the inflation trends will moderate.

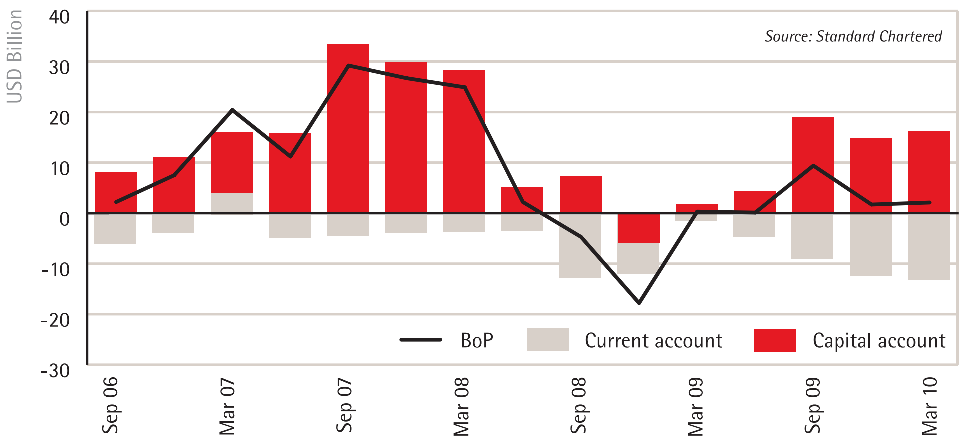
Economic growth remains healthy and resilient to global shocks recently moving above trend (see chart 2). The IMF has recently raised its forecast GDP growth for the FY 2010 to 9.5%, on an equal footing with China. This strong GDP growth continues to be driven predominately by a pick-up in investment both from the public and the private sector. Much of this is focused in the infrastructure sector, in particular in roads, power and railways, offering multiple opportunities to construction companies, contractors, financiers and other related entities. As the Government moves into its 12th plan period (FY 2013 - FY 2017) it is targeting a further increase in commitment to this area to US$600bn from US$455bn in the 11th Plan, much of which has not yet been completed. In tandem with the greater spending commitment, we are seeing improvements in regulation and bureaucracy, particularly in the areas of infrastructure financing, road construction and water projects. This is a tortuous process as there are many interested parties, but the expectation of better returns and regulatory tailwinds is encouraging much greater levels of private sector involvement both local and foreign. It is also a far cry from the increased levels of government interference and regulation that the developed world is currently experiencing. In the service related areas the economy continues to benefit from the business outsourcing opportunities in IT in particular as more and more global companies look to reduce costs by shifting production and service support to India. We see this as a trend that can only strengthen in the future as the cost benefits are immense and gradually more companies become comfortable with the quality service and product that India offers.

The increase in the deficit on current account (see chart 3) is one area of the economy where some concerns are starting to emerge. At 2.5% deficit as a percentage of GDP, the current account deficit has come about as a consequence of strong imports on the back of a healthy economy and weaker exports on the back of poor global demand.

Today there is no problem funding this gap of approximately US$15 billion but this dependency on foreign flows can cause instability if risk appetite globally retrenches again.

Since the start of the year the Indian Rupee has risen 6.6% against UK Sterling whereas against

Chart 3: Back to surplus Balance of Payments



the US Dollar it has barely changed. Our long held view is that alongside other Asian currencies the Rupee should continue to strengthen against the developed currencies. Not only are the balance of capital flows projected to head more East than West, but the interest rate differentials are expected to remain such that the "carry trade" will thrive as the West battles the deflationary trend whilst the East battles the opposite. The weakness of Sterling in the first half perhaps provides a better explanation for the currency movement on this occasion, but the UK deficit woes need little explanation here. Since the installation of the coalition government in the UK and the market's enthusiasm for Chancellor Osborne's "emergency" budget the Rupee has given back much of its gains. Having highlighted the concerns surrounding India's expanding current account deficit it may be that the Rupee continues to weaken in the near term to hasten a redress in the trade deficit. The Company's invested portfolio will continue to remain un-hedged.

It is also important to mention that the current administration has made steady progress in policy reform since it came to power so convincingly in early 2009. The Government has introduced partial deregulation of fuel subsidies, definitive progress on the introduction of a general sales tax, a target to raise US$10-12 billion from the sale of public sector assets and an overhaul of the takeover code. Progress is never as fast or as comprehensive as we would like but we can say that things are moving in the right direction and any deviation from the current path is unlikely for the next few years.

In conclusion, India's economy continues to grow and build healthily for the future. The strong domestic nature of the growth is an enormous attribute in the context of such a weak global environment. There are challenges and always concerns, but we remain confident of continued positive progress.

Portfolio restructuring

In the 2009 annual report it was reported that a thorough review of the investment process and the portfolio had commenced in January 2010. Since then this has been the main focus of the investment team and considerable progress has been made. Whilst the original brief of a mid and small cap focus is being maintained, a disciplined and thorough investment process has been introduced in an attempt to improve the overall performance of the portfolio. The key aspects of these changes are listed briefly below:

- A liquidity screen has been introduced to ensure that portfolio positions can be exited in a timely manner.
- Portfolio concentration has been reduced in order to diversify risk. A target portfolio of 35 stocks has been set.
- An active bottom up stock picking approach has been adopted using economic profit analysis as the principal valuation tool. Ideas are generated from an understanding of structural thematic trends prevalent in the economy.
- Individual stock positions are regularly reviewed and performance analysed.

Table 1

PERFORMANCE INDICATORS	30.06.10	31.12.09	% CHANGE
£ NAV undiluted	68.1	59.6	14.3%
Rupee NAV undiluted	61.5	57.7	6.6%
Share Price	61.25	41	49.4%
Discount to NAV	10.1%	31.2%	
Equity Indices			
BSE Sensex	17,700.9	17,464.8	1.4%
BSE Midcap	7,149.2	6,717.8	6.4%
MSCI India	718.27	707.1	1.6%
Exchange Rates			
INR – GBP	70.0724	75.0334	-6.6%
INR – USD	46.60	46.68	-0.2%
Net Foreign Portfolio Investment ($bn)	6.88	12.43	-44.7%
Inflation % yoy			
WPI	10.6	8.1	
CPI	13.9	14.9	
Food inflation	10.4	22.6	
Interest rates			
RBI Repo Rate %	5.5	5.0	
Macro data (% GDP)			
Fiscal Deficit (Central and State, % GDP)	8.3 *	9.8 *	
Current Account Deficit	2.2	2.9	

* *Annualised data ending March 2010, and estimate for March 2011*

Portfolio restructuring (continued)

- Although this remains an absolute return vehicle, the BSE Midcap index has been selected as the means by which performance can be measured.

By the end of June the number of stocks in the portfolio has been increased from 15 to 33. In addition the percentage of the portfolio considered to be liquid (i.e. that can be sold in the market in a timely manner) has increased from approximately 60% to 80%. These figures do not include the portfolio's unlisted private equity stake in Marwadi Shares and Finance Limited. At 30 June 2010 the top 10 holdings represented just under 50% of the portfolio compared to 67% at 31 December 2009. Some work still needs to be done here in order to reduce this concentration further but the majority of the restructuring process is now complete.

Investment performance

In the first half of 2010 the value of the portfolio rose 14.3% in Sterling terms. 6.6% of this gain has arisen from the growth in the net asset value of the portfolio in local currency terms whilst the remaining 7.7% has come from the weakness of Sterling against the Indian Rupee. This compares favourably to the market's performance of 1.4% for the BSE Sensex and 6.4% for the BSE Midcap index. The outperformance is satisfactory particularly when the high levels of cash held in the portfolio over the period (approximately 16%) and the unlisted component (approximately 9.6%) are also considered. The positive performance can be largely attributed to the exceptional performance of the portfolio's largest holding S Kumars Nationwide Limited, which rose 65.6%

over the period. Not only has the company's operating performance much improved, but the management has announced plans to unlock substantial value from the business. This is likely to come in the form of an IPO and partial sale of its subsidiary Reid and Taylor as well as the sale of a stake in a second subsidiary Belmonte to a private equity buyer. Although it is hard to predict the exact timing of these events, as long as global markets remain accommodating we are confident that by the beginning of 2011 this work will have been completed. Elsewhere, the portfolio benefited from its substantial exposure to the industrial sector. In particular gains were made from Hindustan Dorr-Oliver Limited, a manufacturer of process equipment and engineering solutions up 44.9%, MSK Projects Limited, a construction company up 70.3%, and Jain Irrigation Systems Limited, a producer of micro irrigation systems up 21.5%. Additional positive performance came from other new additions to the portfolio most notably United Phosphorus Limited, a producer of off patent chemicals, up 15.7%, and Shriram Transport Finance Company Limited, a provider of hire purchase finance for trucks, up 13.6%.

The negative contribution to the portfolio has come in three specific areas. Firstly the high levels of cash which were held in the portfolio over the period have been a drag on performance in a rising market. This cash has resulted from the ongoing restructuring process where illiquid positions have been reduced and suitable portfolio investments had not yet been chosen. Over the period the cash levels have been reduced from 26.7% at the end of December 2009 to 13.2% at the end of June 2010. It is intended that this cash position will be further reduced as part of the completion of the restructuring process. The second negative contribution to performance can be ascribed to the process of reducing the illiquid and concentrated elements of the portfolio. This has been a critical element of the process but has resulted in consistent selling pressure in certain portfolio positions. This has negatively impacted the value of the residual holdings. This is a slow and painful process and will be on-going in the second half of the year. It is fortunate that the portfolio has had success in other areas, allowing this to occur whilst still generating both absolute and relative performance. Finally the portfolio has been plagued by the poor performance of two stocks in particular. First, Bilcare Limited, a manufacturer of innovative packaging fell 19% over the period. In spite of this disappointing performance we continue to believe in the management and the business model, and we are hopeful of a turnaround in share price performance in the latter half of the year. ICSA (India) Limited, a manufacturer of software to monitor distribution losses in the power sector, also fell 19% over the period.

Principal Holdings at 30 June 2010

A full analysis of the portfolio is set out on pages 15 to 16. Information on the principal holdings is set out below.

S Kumars Nationwide Limited (SKNL)

10.04% of the portfolio

SKNL is one of the largest branded apparel companies in India. To date it has more than 30,000 retailers and distributors in India and has a repertoire of 45 brands globally (31 owned and 14 licensed). SKNL operates in luxury textiles, consumer textiles, home textiles, high value fine cotton (HVFC) and ready-to-wear categories. Its subsidiary, Reid & Taylor is one of the leading players in luxury suiting and has high brand equity. In the mid-premium category, the company's Belmonte brand is available in fabric as well as readymade apparel. In the economy segment, it already has a fabric brand S Kumars, and is now launching World Player, a new ready-to-wear line, primarily targeting suburbs and small towns. Stephen Brothers and Carmichael House are its other two brands catering to the super premium ready-to-wear and home textiles product segments. The company is also launching the brand Kruger in the casual premium segment, to compete with brands such as Diesel.

To establish a presence in the EU and US markets, SKNL acquired Leggiuno S.p.A and Hartmarx Corporation (HMX). It has also tied up with Donna Karan International (DKNY), where SKNL has a license to design, source, produce and distribute the entire range of DKNY menswear apparels globally (ex-Japan).

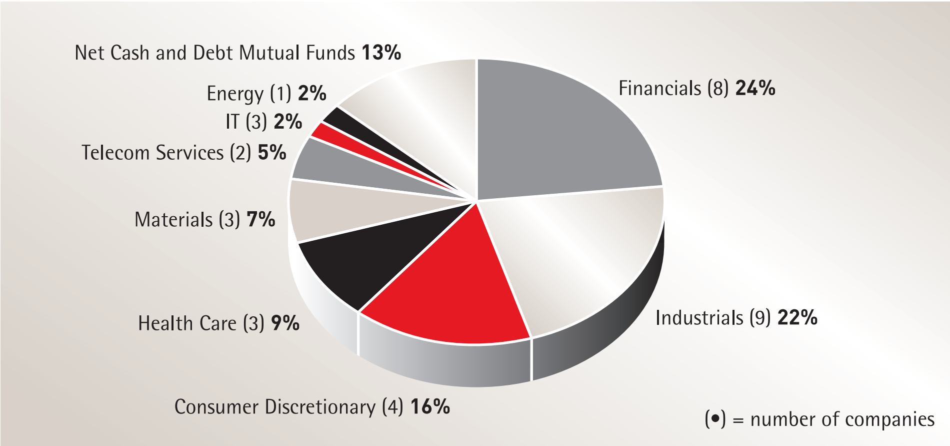
Marwadi Shares and Finance Limited

8.96% of the portfolio

Marwadi Shares and Finance Limited, an unlisted company, is one of India's largest retail brokers. As at 30 June 2010 the company had 765 branches. During the six months to 30 June 2010 the company added 5,825 clients to give a total number of clients of 150,142 at that date.

For the financial year ended 31 March 2010

Chart 4: Analysis of Holdings



Principal Holdings at 30 June 2010 (continued)

(unaudited results), the company's operating income increased 40% to Rs 1,105 million, and net profit increased by 85% to Rs 243 million over the comparable period in 2009.

The annual results were very much in line with our earlier estimates and we have considered it prudent not to change any of the underlying assumptions for the appraised valuation. There has thus been no change in the INR value at which the holding is held by the Company in the six month period. The implied PE at the appraised value as at 30 June 2010 is 11x trailing twelve months EPS to 31 March 2010.

Bilcare Limited

6.49% of the portfolio

Bilcare is a research-driven packaging solutions and clinical services company catering to the pharmaceutical industry both in India and internationally. It has facilities in the USA, Europe and Asia. The company has gained a dominant position in the domestic pharmaceutical packaging industry backed by a strong product portfolio, and has expanded its operations into the clinical supplies business. The company has filed over 130 patents to date. The company has forged strong relationships with major pharmaceutical companies, both globally and domestically, with over 500 customers. In addition Bilcare has a global clinical services (GCS) business which supports pharmaceutical companies in speeding up clinical trials for molecules under research.

Prime Focus Limited

4.31% of the portfolio

Prime Focus provides post production and visual effects services for films and television content. Prime Focus continues to be a market leader in India and is increasing its reach in the UK and North America. The company has developed a new proprietary conversion process View-D™ to convert a feature from 2D to 3D. The company completed the 2D to 3D stereoscopic conversion of Warner Bros' epic feature 'Clash of the Titans'. Earlier in the year the company was also involved with James Cameron's 'Avatar', and Universal Pictures' epic action-adventure Robin Hood, from acclaimed director Ridley Scott, for visual effects.

United Phosphorus Limited

4.07% of the portfolio

United Phosphorus Limited (UPL) is an agro-chemical company specialising particularly in crop protection products. It has focused on the generics (as opposed to patented) opportunity in the regulated markets of the US and Europe, and has achieved success over the past decade. Apart from fully integrated manufacturing facilities, UPL also has a strong distribution infrastructure across its targeted markets. UPL's growth strategy is built around filing its own registrations and acquiring tail-end brands of global majors in regulated markets.

With 80% of its revenue coming from global markets and a strong direct presence in the targeted markets, UPL has emerged as the third-largest agro generics company in the world. The global crop protection market looks attractive and is highly consolidated, with limited generics penetration due to the high entry barriers that generate pricing discipline. UPL has reached critical scale in the regulated markets of the EU and US through a series of acquisitions over the past two to three years.

IVRCL Infrastructures and Projects Limited (IVRCL)

3.72% of the portfolio

IVRCL is one of India's largest engineering and construction companies. It operates in the water and environment sectors, roads, industrial structures and the power transmission sector. It has steadily emerged as a leader in the water and environment sectors and has undertaken projects both on an Engineering, Procurement and Construction basis and on a Lump Sum Turnkey basis. Central and State governments are aggressively allotting infrastructure projects and this is likely to generate large opportunities for Indian infrastructure companies such as IVRCL, over the next decade.

Infrastructure Development Finance Company Limited (IDFC)

3.23% of the portfolio

IDFC is India's multifaceted infrastructure financier incorporated as a private sector enterprise promoted by a consortium of public and private investors. It plays an advisory role in most infrastructure projects as well as undertaking proprietary investments in the sector. IDFC manages about US$630m in infrastructure-related private-equity funds and has been appointed to manage a US$2bn infrastructure fund in association with Citigroup and Blackstone. With the acquisition of controlling stakes in a mutual-fund and investment-banking organisation, IDFC's product offering has recently widened further.

IDFC is expected to benefit significantly from the Indian government's focus on infrastructure development in the coming years. The company plans to triple the balance sheet size in the next three years and it has strengthened the capital base for this purpose. The Reserve Bank of India has now classified it as an "infrastructure finance company" which is expected to help IDFC mobilise funds at cheaper rates and provide more flexibility in its lending to infrastructure projects.

Bharti Airtel Limited

3.15% of the portfolio

Bharti Airtel is India's largest mobile operator with 127 million subscribers. It provides GSM-based mobile services, covering all India's telecom circles, as well as spanning mobile, fixed-line, long-distance enterprise and DTH ("direct-to-home") services. The firm is also one of India's largest private-sector fixed-line service providers, with 3 million subscribers.

The company's services are integrated under the brand name Airtel. The firm's mobile subscriber market share stands at 22%. The company recently acquired the Kuwait based Zain Group's mobile telephony operation in 15 countries across Africa. With this acquisition Bharti has a presence in 18 countries across Asia and Africa.

The company has been allocated 13 circles across India to launch 3G services in the latest auction by the Indian government. The company plans to launch its 3G services by October this year.

For the financial year ended 31 March 2010, operating income increased by 7% over the comparable period last year to Rs 351 billion and PAT increased by 7.5% to Rs 91 billion.

Conclusion and Outlook

The Indian equity market has performed well in the first half of the year when compared to both the Emerging and Developed market peer group. This good fortune has given us the opportunity to restructure the portfolio and place it in a position to capture the best of what India has to offer in the future. This restructuring process has been well documented and is largely complete. Moving forward it is our intention to continue to search for those companies in India who are most exposed to the Indian secular growth story, whilst gaining market share against their competition but not at the expense of profitability or undue balance sheet risk. These criteria must be achieved in the context of sound corporate governance and reasonable valuations. Against the backdrop of a haphazard economic story in the developed world, and given India's solid domestic focus, low levels of corporate and consumer debt and insatiable appetite to develop, the opportunities for this proposition to succeed are clearer in India currently than almost anywhere else globally.

India Investment Partners Limited

14 SEPTEMBER 2010

Directors' report

The Directors present their interim report and the unaudited consolidated condensed financial statements of the Group for the period from 1 January 2010 to 30 June 2010.

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.

Investing policy

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

Results and dividends

The Group's performance during the period is discussed in the Investment Manager's Report on pages 4 to 10.

The results for the period are set out in the unaudited consolidated statement of comprehensive income on page 17.

The Directors do not recommend the payment of a dividend for the period ended 30 June 2010.

Substantial interests

Shareholders who at 13 September 2010 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
Sofina Multi-Strategy SICAF FIS	5,000,000	6.67
Rathbone Nominees Limited	4,171,500	5.56
Nortrust Nominees Limited	3,902,690	5.20
Goldman Sachs Securities (Nominees) Limited	3,704,000	4.94
Pershing Nominees Limited	3,123,528	4.16
HSBC Global Custody Nominee (UK) Limited	2,953,510	3.94
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%).

At 13 September 2010, 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.

India Capital Growth Fund

Table 3: Substantial holdings of warrants

NAMES	HOLDING OF WARRANTS	% OF ENLARGED ORDINARY SHARE CAPITAL IF EXERCISED ASSUMING FULL CONVERSION
Caledonia Investments Plc	3,300,000	3.67
Chase Nominees Limited	3,160,000	3.51

So far as the Board is aware the only holdings of warrants at that date 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.

Warrants

The second exercise period for warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share ran from 12 April 2010 to 11 May 2010. 1,400 warrants were exercised and the share capital of the Company increased by 1,400 ordinary shares. At 30 June 2010, 14,998,537 warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share were in issue. These are exercisable between the expiry of four weeks and the expiry of eight weeks following the publication of the Company's audited accounts in the year 2011.

Directors

The names of the directors of the Company are set out on page 1.

Directors interests

At 13 September 2010, directors and their immediate families held the following declarable interests in the Company:

	Ordinary Shares	Warrants
Fred Carr	50,000	-
Jamie Cayzer-Colvin	50,000	10,000

Andrew Maiden is an employee of Northern Trust International Fund Administration Services (Guernsey) Limited, the Administrator and Company Secretary.

Jamie 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 8.

Approved by the Board of Directors and signed on behalf of the Board on 14 September 2010.

Fred Carr
Andrew Maiden
Directors

14 SEPTEMBER 2010

Independent review report
to India Capital Growth Fund Limited

Introduction

We have been engaged by the Company to review the condensed set of interim consolidated financial statements in the interim financial report for the period 1 January 2010 to 30 June 2010 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 10.

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 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 34, "Interim Financial Reporting" (IAS 34).

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 assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period 1 January 2010 to 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP | Guernsey, Channel Islands

14 SEPTEMBER 2010

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 2010

HOLDING	TYPE	SECTOR	VALUE £000'S	% OF PORTFOLIO
S. Kumars Nationwide Limited	Mid Cap	Consumer discretionary	5,127	10.04
Marwadi Shares and Finance Limited	Unlisted	Financials	4,578	8.96
Bilcare Limited	Small Cap	Healthcare	3,317	6.49
Prime Focus Limited	Small Cap	Consumer discretionary	2,200	4.31
United Phosphorus Limited	Mid Cap	Materials	2,079	4.07
IVCRL Infrastructures and Projects Limited	Mid Cap	Industrials	1,901	3.72
Infrastructure Development Finance Company Limited	Large Cap	Financials	1,649	3.23
Bharti Airtel Limited	Large Cap	Telecommunications	1,612	3.15
Varun Shipping Company Limited	Small Cap	Industrials	1,472	2.88
SpiceJet Limited	Small Cap	Industrials	1,394	2.73
Total top 10 equity investments			**25,329**	**49.58**
Other Small Cap	(10 companies)		7,960	15.58
Other Mid Cap	(8 companies)		7,033	13.77
Other Large Cap	(4 companies)		3,999	7.83
Other Unlisted	(1 company)		-	-
Total equity investments			**44,321**	**86.76**
Debt mutual funds			2,412	4.72
Cash and other net current assets			4,353	8.52
Total Portfolio			**51,086**	**100.00**

Note:

Large Cap comprises companies with a market capitalisation above INR 100 billion (£1.4 billion)

Mid Cap comprises companies with a market capitalisation between INR 15 billion and INR 100 billion (£215 million – £1.4 billion)

Small Cap comprises companies with a market capitalisation below INR 15 billion (£215 million)

Portfolio statement

As at 30 June 2010

HOLDING	NOMINAL	VALUE £000'S	% OF PORTFOLIO
Listed securities			
Consumer discretionary			
Everonn Education Limited	60,000	387	0.76
Grabal Alok Impex Limited	468,155	282	0.54
Prime Focus Limited	491,971	2,200	4.31
S. Kumars Nationwide Limited	5,066,847	5,127	10.04
		7,996	15.65
Energy			
Cairn India Limited	246,000	1,066	2.09
		1,066	2.09
Financials			
Arihant Foundations & Housing Limited	644,500	1,214	2.38
Indian Bank	238,000	767	1.50
Infrastructure Development Finance Company Limited	645,000	1,649	3.23
Shriram Transport Finance Company Limited	73,078	601	1.18
Sobha Developers Limited	243,000	1,003	1.96
Unitech Limited	1,046,000	1,110	2.17
Yes Bank Limited	293,000	1,126	2.20
		7,470	14.62
Healthcare			
Bilcare Limited	541,566	3,317	6.49
Jubilant Organosys Limited	247,276	1,236	2.43
Opto Circuits (India) Limited	75,000	257	0.50
		4,810	9.42
Industrials			
Elecon Engineering Company Limited	450,000	540	1.06
Hindustan Dorr-Oliver Limited	589,048	1,020	2.00
ICSA (India) Limited	655,930	1,355	2.65
IVCRL Infrastructures and Projects Limited	709,000	1,901	3.72
Jain Irrigation Systems Limited	88,000	1,346	2.63
MSK Projects (India) Limited	399,566	1,047	2.05
Pratibha Industries Limited	186,943	1,020	2.00
SpiceJet Limited	1,665,000	1,394	2.73
Varun Shipping Company Limited	2,424,467	1,472	2.88
		11,095	21.72

Portfolio statement (continued)

As at 30 June 2010

HOLDING	NOMINAL	VALUE £000'S	% OF PORTFOLIO
IT			
IOL Netcom Limited	915,744	225	0.44
KPIT Cummins Infosystems Limited	469,987	870	1.70
		1,095	2.14
Materials			
Bhushan Steel Limited	15,000	303	0.59
Sterlite Industries (India) Limited	504,000	1,222	2.39
United Phosphorus Limited	791,520	2,079	4.07
		3,604	7.05
Telecommunications			
Bharti Airtel Limited	430,000	1,612	3.15
Onmobile Global Limited	247,000	995	1.96
		2,607	5.11
Total listed securities		**39,743**	**77.80**
Unlisted Securities			
Financials			
Marwadi Shares and Finance Limited	1,680,976	4,578	8.96
IT			
CitiXsys Technologies Private Limited	817,650	-	-
Total unlisted securities		**4,578**	**8.96**
Debt Mutual Funds			
Reliance Money Manager Fund		2,412	4.72
Total debt mutual funds		**2,412**	**4.72**
Total investments		**46,733**	**91.48**
Cash and other net current assets		**4,353**	**8.52**
Total Portfolio		**51,086**	**100.00**

India Capital Growth Fund

Unaudited consolidated statement of comprehensive income

For the six months to 30 June 2010

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED SIX MONTHS TO 30.06.10 TOTAL £000	UNAUDITED SIX MONTHS TO 30.06.09 TOTAL £000	AUDITED YEAR TO 31.12.09 TOTAL £000
Income						
Fixed deposit interest		–	–	–	1	1
Bank interest income		–	–	–	–	1
Investment income		68	–	68	94	292
		68	**–**	**68**	**95**	**294**
Net gains on financial assets at fair value through profit or loss						
Market movements	2	–	2,653	2,653	14,800	19,746
Foreign exchange movements	2	–	4,457	4,457	(9,881)	(6,328)
		–	**7,110**	**7,110**	**4,919**	**13,418**
Total income		**68**	**7,110**	**7,178**	**5,014**	**13,712**
Expenses						
Management fee	8	(369)	–	(369)	(228)	(535)
Cost of acquisition and disposal of investments		–	(147)	(147)	(6)	(31)
Foreign exchange (losses)/gains		8	(30)	(22)	(334)	(161)
Other expenses	3	(244)	–	(244)	(233)	(450)
Total expenses		**(605)**	**(177)**	**(782)**	**(801)**	**(1,177)**
Profit/(loss) for the period/ year before taxation		(537)	6,933	6,396	4,213	12,535
Taxation	6	3	–	3	–	–
Profit/(loss) for the period/ year after taxation		**(534)**	**6,933**	**6,399**	**4,213**	**12,535**
Earnings per Ordinary Share – Basic (pence)	4			8.53	5.62	16.71
Earnings per Ordinary Share – Diluted (pence)	4			8.53	5.62	16.71

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.

The profit after tax is "total comprehensive income" as defined by IAS 1.

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

The notes on pages 22 to 28 form part of these financial statements.

Unaudited consolidated statement of changes in equity

For the six months to 30 June 2010 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	UNREALISED £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2010		750	(13,187)	(13,818)	(1,936)	72,877	44,686
Issue of ordinary shares		-	-	-	-	1	1
Gain/(loss) on investments	2	-	(9,435)	12,088	-	-	2,653
Revenue loss for the period after taxation (exc. foreign exchange losses)		-	-	-	(534)	-	(534)
Cost of acquisition and disposal of investments		-	(62)	(85)	-	-	(147)
Gain/(loss) on foreign currency		-	5,440	(1,013)	-	-	4,427
Balance as at 30 June 2010		**750**	**(17,244)**	**(2,828)**	**(2,470)**	**72,878**	**51,086**

For the six months to 30 June 2009 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE REALISED £000	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 (exc. 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**

The notes on pages 22 to 28 form part of these financial statements.

Unaudited consolidated statement of changes in equity (continued)

For the year ended 31 December 2009 (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 2009		750	2,689	(43,073)	(1,092)	72,877	32,151
Gain/(loss) on investments	2	-	(18,283)	38,029	-	-	19,746
Revenue loss for the period after taxation (exc. foreign exchange losses)		-	-	-	(844)	-	(844)
Cost of acquisition and disposal of investments		-	(29)	(2)	-	-	(31)
(Loss)/gain on foreign currency		-	2,436	(8,772)	-	-	(6,336)
Balance as at 31 December 2009		**750**	**(13,187)**	**(13,818)**	**(1,936)**	**72,877**	**44,686**

The notes on pages 22 to 28 form part of these financial statements.

Unaudited consolidated statement of financial position

As at 30 June 2010

	NOTES	UNAUDITED 30.06.10 £000	UNAUDITED 30.06.09 £000	AUDITED 31.12.09 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	5	46,733	33,409	43,394
Current assets				
Cash and cash equivalents		4,131	3,048	1,434
Receivables		381	25	10
		4,512	3,073	1,444
Current liabilities				
Payables		(159)	(118)	(152)
Net current assets		4,353	2,955	1,292
Total assets less current liabilities		**51,086**	**36,364**	**44,686**
Equity				
Ordinary share capital	7	750	750	750
Reserves		50,336	35,614	43,936
Total equity		51,086	36,364	44,686
Number of Ordinary Shares in issue		**75,001,463**	**75,000,063**	**75,000,063**
Undiluted Net Asset Value per Ordinary Share (pence)		**68.11**	**48.49**	**59.58**
Fully diluted Net Asset Value per Ordinary Share (pence)		**68.11**	**48.49**	**59.58**

The unaudited condensed financial statements on pages 17 to 28 were approved by the Board of Directors on 14 September 2010 and signed on its behalf by:-

Fred Carr
Andrew Maiden
Directors

14 SEPTEMBER 2010

The notes on pages 22 to 28 form part of these financial statements.

Unaudited consolidated statement of cash flows

For the six months to 30 June 2010

	NOTES	UNAUDITED SIX MONTHS TO 30.06.10 £000	UNAUDITED SIX MONTHS TO 30.06.09 £000	AUDITED YEAR TO 31.12.09 £000
Cashflows from operating activities				
Investment income		45	94	292
Fixed deposit interest		-	1	1
Bank interest received		-	-	1
Management fee		(363)	(224)	(519)
Other cash payments		(291)	(313)	(498)
Net cash outflow from operating activities		**(609)**	**(442)**	**(723)**
Cashflows from investing activities				
Purchase of investments		(27,351)	(710)	(10,962)
Sale of investments		30,795	1,107	9,872
Transaction charges relating to the purchase and sale of investments		(147)	(6)	(31)
Net cash inflow/(outflow) from investing activities		**3,297**	**391**	**(1,121)**
Cashflows from financing activities				
Proceeds from issue of shares	7	1	-	-
Net cash inflow from financing activities		**1**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents during the period/year		2,689	(51)	(1,844)
Cash and cash equivalents at the start of the period/year		1,434	3,431	3,431
Exchange gains/(losses) on cash and cash equivalents		8	(332)	(153)
Cash and cash equivalents at the end of the period/year		**4,131**	**3,048**	**1,434**

The notes on pages 22 to 28 form part of these financial statements.

India Capital Growth Fund

Notes to the unaudited consolidated condensed financial statements

For the six months to 30 June 2010

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 2009.

Basis of preparation

The unaudited interim consolidated condensed financial statements for the six months ended 30 June 2010 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 financial statements as at 31 December 2009.

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.

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.

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.

1. Accounting policies (continued)

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.

Investments in debt mutual funds which have active markets and where daily pricing and daily dealing is available are treated as listed investments and are valued at the Dealing Price (Net Asset Value) published by the issuer.

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.

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

1. Accounting policies (continued)

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

IFRS 9 - Financial instruments is effective for periods beginning on or after 1 January 2013. The Board has not yet assessed the impact of IFRS 9 which addresses the classification and measurement of financial assets. 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 on financial assets designated at fair value through profit or loss

	Unaudited Six months to 30.06.10	Unaudited Six months to 30.06.09	Audited Year to 31.12.09
Realised loss			
Proceeds from sales of investments during the period/year	31,129	1,107	9,872
Original cost of investments sold during the period/year	(35,094)	(7,785)	(25,711)
Loss on investments sold during the period/year	(3,965)	(6,678)	(15,839)
Market loss	(9,435)	(7,870)	(18,283)
Foreign exchange gain	5,470	1,192	2,444
Unrealised market gain			
Previously recognised unrealised loss now realised	10,302	7,914	22,015
Current period market gain	1,786	14,756	16,014
Market gain	12,088	22,670	38,029
Unrealised market gain on listed securities	12,088	22,240	36,217
Unrealised market gain on unlisted securities	-	430	1,812
Unrealised foreign exchange loss			
Previously recognised unrealised foreign exchange gain now realised	(2,991)	(1,387)	(4,578)
Current period foreign exchange gain/(loss)	1,978	(9,686)	(4,194)
	(1,013)	(11,073)	(8,772)
Net gain on financial assets designated at fair value through profit or loss	7,110	4,919	13,418

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 £79,000 (six month to 30.06.2009 - gain of £37,000; year to 31.12.2009 - gain of £217,000).

3. Other expenses

	Unaudited Six months to 30.06.10 £000	Unaudited Six months to 30.06.09 £000	Audited Year to 31.12.09 £000
Revenue			
Directors' fees (note 8)	43	30	67
D&O Insurance	8	8	16
Administration and secretarial fees (note 8)	61	61	122
Audit fee	22	19	47
Custody fees	14	11	24
Other advisory services	25	22	48
Warrant exercise period expenses	5	10	10
General expenses	66	72	116
	244	233	450

4. Earnings per share

Basic Earnings per Ordinary Share is calculated on the profit for the period of £6,399,000 (30.06.2009 - profit of £4,213,000) divided by the weighted average number of shares of 75,000,530 (30.06.2009 - 75,000,021). Diluted Earnings per Ordinary Share is calculated on the basis that the 14,998,537 (30.06.2009 - 14,999,937) warrants in issue were exercised at the start of the period with the proceeds of £14,998,537 (30.06.2009 - £14,999,937) being used to repurchase Ordinary Shares at the average market price during the period. For both 2010 and 2009, the 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 designated at fair value through profit or loss

	Listed £000	Unlisted £000	Unaudited Six months to 30.06.10 Total £000	Unaudited Six months to 30.06.09 Total £000	Audited Year to 31.12.09 Total £000
Cost as at 1 January	52,739	3,841	56,580	71,357	71,357
Purchases	27,360	-	27,360	682	10,934
Sales	(31,129)	-	(31,129)	(1,107)	(9,872)
Realised loss on sales of investments	(3,965)	-	(3,965)	(6,678)	(15,839)
Cost at end of period/year	45,005	3,841	48,846	64,254	56,580
Unrealised loss on revaluation	(6,351)	(95)	(6,446)	(33,890)	(18,532)
Unrealised foreign exchange gain on revaluation	3,501	832	4,333	3,045	5,346
Fair value at end of period/year	42,155	4,578	46,733	33,409	43,394
Fair value of listed securities at end of the period/year			42,155	30,790	39,119
Fair value of unlisted securities at end of the period/year			4,578	2,619	4,275

India Capital Growth Fund

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

Equity investments are held as direct equity holdings or as participatory notes. Surplus cash in Indian Rupees is invested in readily realisable debt mutual funds.

	Listed £000	Unlisted £000	Unaudited 30.06.10 Total £000	Unaudited 30.06.09 Total £000	Audited 31.12.09 Total £000
Equities	37,702	4,578	42,280	29,262	26,602
Participatory notes	2,041	-	2,041	4,147	6,156
Debt mutual funds	2,412	-	2,412	-	10,636
	42,155	4,578	46,733	33,409	43,394

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 (12.63%; 2009 - 13.7%), terminal growth rate (4%; 2009 - 4%) and a discount rate to take account of illiquidity (30%; 2009 - 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 probabilities of strong, steady and weak markets of 10%, 45% and 45% respectively (2009 - 10%, 45% and 45%) and strong, steady and weak performance relative to market of 25%, 50% and 25% respectively (2009 - 25%, 50% and 25%).

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. To obtain benefits under the double taxation treaty, they must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The companies have obtained a tax residence certification from the Mauritian authorities and believe such certification is determinative of its resident status for treaty purposes.

ICG Q Limited and ICG U Limited are subject to income tax in Mauritius on net income which excludes realised and unrealised capital gains and related expenditure at 15 per cent. (2009: 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. Share capital

Authorised Share Capital	£000
Unlimited number of Ordinary Shares of £0.01 each	-

Issued Share Capital	Number of shares	Share capital £000
Ordinary Shares of £0.01 each At 30 June 2010	75,001,463	750
At 31 December 2009	75,000,063	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 second exercise period for warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share ran from 12 April 2010 to 11 May 2010. 1,400 warrants were exercised and the share capital of the Company increased by 1,400 ordinary shares. At 30 June 2010, 14,998,537 warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share were in issue. These are exercisable between the expiry of four weeks and the expiry of eight weeks following the publication of the Company's audited accounts in the year 2011.

8. 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 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 £369,000 (30.06.2009: £228,000) in management fees during the period ended 30 June 2010 of which £63,000 (31.12.2009: £57,000) was outstanding at 30 June 2010.

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 2010, the High Water Mark was 221.36 pence per share.

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

8. Related party transactions (continued)

June 2010 (30.06.2009: £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 (30.06.2009: £37,000) for administration and secretarial services during the period ended 30 June 2010 of which £19,000 (31.12.2009: £19,000) was outstanding at 30 June 2010.

9. Contingent liabilities

The directors are not aware of any contingent liabilities as at 30 June 2010 (2009: Nil).

10. 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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