India Capital Growth Fund

Interim report and unaudited consolidated condensed financial statements

For the period from 1 January 2011 to 30 June 2011

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Management and administration

Directors

Fred Carr (Chairman)
Jamie Cayzer-Colvin
Ashok Dayal
Andrew Maiden
Robin Nicholson (resigned 11 August 2011)
Peter Niven (appointed 11 August 2011)

Registered Office

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St. Peter Port
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Investment Manager

India Investment Partners Limited
Cayzer House
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Administrator and Secretary

Northern Trust International Fund
Administration Services (Guernsey) Limited
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Guernsey GY1 3QL

Mauritian Administrator

International Financial Services Limited
IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Custodian

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Corporation Limited
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HSBC Bank Plc
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Management and administration (continued)

Nominated Adviser

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Broker

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Registrar

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Chairman's statement

The year 2011 so far has, to say the least, been an eventful one for investors, and this is particularly so for investors in India. The year started with the Indian market reacting to the corruption scandals affecting politicians and businessmen and to the threat of increasing inflation. Both knocked investor confidence, and foreign investors started withdrawing capital from the Indian market. The political unrest in North Africa and the Middle East then created further uncertainty, and this was followed by worries over the financial stability of certain European countries and the downgrading of the credit status of the USA. With its domestic dominated economy and established democratic process these external events should serve to strengthen the investment case for India. However, a combination of fears over continuing impact of inflation and a lack of real progress in getting infrastructure development moving continues to hold markets back. At the same time, international investors are becoming increasingly risk averse and are tending to transfer investments from the (perceived riskier) emerging markets to their (at least known) domestic markets.

It is against that background that we have seen a fall in the net asset value of the Company of 19 per cent in the six month period, with a 15.9 per cent decline in Rupee terms exacerbated by a 3.9 per cent fall in the value of the Rupee against Sterling. After a solid year of progress in 2010, this is disappointing, not least since the NAV underperformed the BSE Midcap index by three percentage points. The portfolio restructuring initiated in 2010 is largely complete, but there remain a small number of investments which significantly influence the portfolio performance, and it is these that have been the major contributors to the underperformance. The size of these holdings has been gradually reduced, but there is still further work to be done.

One of the major thrusts of the restructuring of the portfolio has been to improve the underlying liquidity. In this context, having an unlisted investment as the largest single holding has been something of an anomaly. Although completed after the period end, our holding in Marwadi Shares and Finance Limited, a Gujarat based stockbroker, has now been sold in full and the proceeds are being reinvested in the listed market. The purchaser was a subsidiary of Caledonia Investments PLC, which already held a parallel stake in the company. As this was a related party transaction the price was based on an independent appraisal of value commissioned jointly by the parties, and the independent directors, having consulted the nominated adviser, are satisfied that the terms were fair and reasonable as regards shareholders in India Capital Growth Fund Limited.

Also since the period end there have been some changes in the composition of the Board. Robin Nicholson had been a director of the Company since its launch in 2005 and acted as Chairman for a period in 2009 after the tragic death of my predecessor, Micky Ingall. Increasing pressures from other commitments had become such that it had become difficult to give the necessary attention to the Company, and he felt it right to resign. The Board is most grateful to him for his service over the years. The Board has appointed Peter Niven to replace him. Peter is a resident of Guernsey with a successful career in banking behind him from which he retired in 2004. Since then he has acted as Chief Executive of Guernsey Finance, promoting the island as a financial services destination. He serves on the boards of a number of listed companies and investment funds including Resolution Limited, the FTSE 100 insurance and financial services company. Peter has been appointed as Chairman of the Audit Committee of the Company.

The major advantage of a closed-ended structure is that the Company can ride out turmoil in the markets (however caused) without being forced to sell assets at distressed prices. We remain firmly of the view that India remains an attractive area for investment. Although its growth rate has slowed somewhat recently it remains at above 7 per cent in real terms – a far cry from the near zero rates in much of the western world. Its economy is predominantly domestic focussed, and is thus not dependent on exports requiring booming economies elsewhere in the world. Perhaps most importantly, it has control over its own fiscal and monetary policies.

Uncertainty will inevitably continue for the time being, based more on external than internal events. If the government can push forward on getting infrastructure development moving, and inflation can be brought back under control (and a good monsoon will help in this regard) the medium-term outlook remains positive.

Fred Carr | Chairman

13 SEPTEMBER 2011

Investment manager's report

Economic Update

The economic climate in India during the first half of the year has been tough but some positives are starting to emerge. The predominant factor remains the disappointing performance of inflation which has shown no sign of easing to the extent that was expected. The upward revisions to previously reported data are also adding to the now seemingly entrenched view that a higher level of inflation is here to stay. The thinking behind this is that the dynamic driving the inflation "miss" has shifted from a supply side phenomenon, caused by structural and cyclical issues (mainly food), to a demand side problem which can only be solved in the short term by slower economic growth. The recent rise in fuel and cooking gas prices, whilst a positive development for the fiscal burden, will have a pass through effect which will keep inflation at "elevated" levels in the months ahead.

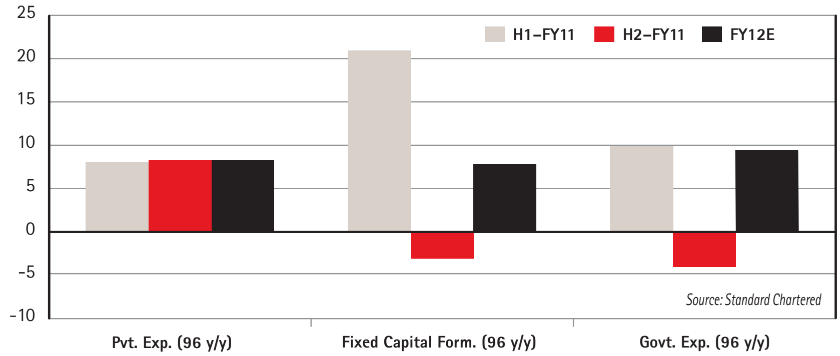
The Reserve Bank of India as good as acknowledged this by switching its strategy away from raising the reverse repo rate in "baby steps" of 25 basis points at a time to a surprise 50 basis point increase in early April, stating publicly that they were committed to "bringing down inflation at the cost of growth." This was followed up in June with a further 25 basis point increase taking the benchmark rate to 7.5 per cent. We expect 50–75 basis points of further increases this financial year. Negative news on the inflation front has been relentless for over a year now but we are starting to believe there could be positive surprises in the months ahead. The "base effect" (India measures inflation on a point to point basis rather than a moving average basis) will create the effect of cooling inflation. Food prices are already moderating and a good monsoon will ease supply constraints. India is also a beneficiary of cooling global oil and commodity prices. The recent announcement of a decision to release oil from the strategic reserve, the end of QE2 and softer PMI data across the world, are all reasons to suggest the tide maybe moving back in India's favour in this regard.

What is yet unknown is the extent of the lag effects of 325 basis points of collective tightening since early 2010. GDP growth of 7.8 per cent was reported for the quarter ended 31 March 2011, down from a peak of 9.4 per cent and below the expected figure of 8.1 per cent, (Chart 1).

Chart 1: India's Real Gross Domestic Product growth, year on year (%)

As can be seen from Chart 2 below, there is clear evidence of a slowdown both in private sector investment and public spending. The June 2011 seasonally adjusted HSBC Purchasing Managers' Index data, whilst still showing expansionary mode, has shown a further decline in the rate of growth. The consumer is also starting to retrench, though not meaningfully. Consumer spending has certainly become sensitive to higher interest rates particularly for higher value purchases such as cars and two wheelers. Banks have seen a marked slowdown in loan demand in this sector and we now expect auto sales growth at 10–12 per cent rather than 18-20 per cent. We see this not so much as a consequence of an income squeeze or a leverage problem, but more the tendency of the Indian consumer to be highly sensitive to interest costs. Wages have, in general, been keeping pace with inflation and more so in some cases. However, consumers in India tend to delay a purchase decision if they believe the servicing costs are likely to be lower if the purchase is deferred. Once again therefore the key to more sustained performance from the market will be conviction that inflation has peaked and interest rates can stop rising.

Chart 2: Investment slowdown in Financial Year 2011



Economic Update (continued)

The reasons for the slowdown are well documented. Political paralysis has thwarted project approval of both public and private sector projects, whilst rising interest costs are altering the equity IRRs and making projects financially unviable. Herein lies the real challenge for India, as a failure to deliver on infrastructure reform will condemn the economy longer term to higher levels of inflation which in turn will cause a permanent market de-rating. We are decidedly not of this view and are starting to believe that "the fear that nothing will ever be done" appears over exaggerated. The government has no choice but to try and implement change in order to meet the aspirations of a rapidly changing society. If it fails it can kiss goodbye to winning the 2014 election.

There are also some encouraging signs that the situation is improving. After an agonisingly painful eleven month wait, the government's approval of the Cairn-Vedanta deal has finally arrived, subject to final shareholder agreement. The outcome of this has been watched very closely by global companies contemplating capital investment into India. While no one can accuse politicians in India of rushing through a decision, compromises were necessary on both sides to secure a deal. Equally, the hugely unpopular decision to raise fuel and cooking oil prices to the average Indian was a much needed decision the government did not duck. In addition Jairam Ramesh, the environment minister, has backed off earlier diktats to stifle coal production and has granted environmental clearance for nine new coal mines with a further six expected.

The ruling alliance's (UPA) 3-2 win in the State elections puts the Opposition firmly on the back foot, and it is they who have been the major stumbling block to reform. It has also put Congress back in the driving seat with its so called "allies". The result is by no means a sign of support for the UPA, rather more a message that they need to deliver on reform or suffer the consequences as has been the case in West Bengal. With regard to ongoing concerns about corruption, the large number of young people entering the workforce is not only boosting economic growth but is also starting a groundswell demanding change from the political leadership and an end to corruption in high places. The recent jailing of the ex-Chief Minister of Tamil Nadu's daughter is an unprecedented event that must surely send a message to politicians and businessmen alike. The deluge of scandals is only likely to move off the radar if they heed the warnings.

Our belief is that there will be a recovery in government spending and private sector capital expenditure in the second half of the calendar year 2011, which alongside a resilient consumer should ensure a recovery in sentiment, a "bottoming" of earnings downgrades and a recovery in liquidity. A good monsoon (which has now started) is critical to the view that consumption, particularly in rural areas, will be sustained. Should this continue to be accompanied by weaker commodity and oil prices as a result of broader issues, it would be a specific boon for India.

Recent quarterly numbers for the infrastructure sector have been disappointing but conversely we are picking up indications that the order books of these companies are beginning to look up, albeit selectively. A pick up in investment spending is essential to the bullish investment case for India. Medium to longer term, the problem of "inflationary growth" will only be solved by developing the country's infrastructure in a way that allows a "productive growth" without causing such pressure on costs through the lack of available resources.

Performance

The Company's NAV fell by 19.1 per cent in Sterling terms in the six month period, with an underlying decline in the portfolio in Rupee terms of 15.95 per cent after a 3.9 per cent decline in the value of the Rupee against Sterling. This compared to a fall in the BSE Midcap index (in INR terms) of 12.2 per cent. Once again, it was the portfolio heavyweights that contributed most to the underperformance. S Kumars Nationwide was down 38 per cent in the period. On a fundamental level the business has been doing well as seen from recent quarterly numbers, but the share price has suffered as two announced initiatives to unlock value (the proposed IPO of the Reid and Taylor subsidiary and the proposal to bring private equity investment into the Belmonte subsidiary) have been deferred. While the holding in the company has been reduced by almost 30 per cent over the period its average weighting in the portfolio in the period was 6 per cent. Bilcare (5 per cent average weighting for the period) was also down 38 per cent in the period. This was due primarily to the unsatisfactory performance of the recently acquired plastic film-making unit of petrochemical company INEOS (in Germany). In addition, the consolidated operating margin fell sharply as a result of the increased prices of crude oil based raw materials which the company was unable immediately to pass on to its customers. The share price of Prime Focus (7.5 per cent average weighting for the period) has been particularly volatile. The Company has in the last six months posted very strong results on the back of increasing revenue contribution from 2D to 3D conversion orders. The share price declined by some 19 per cent in the period, but bounced back sharply in July 2011. The holding was reduced by just over 10 per cent in the period, and top-slicing continues.

Elsewhere within the portfolio, positive contribution during the period came from the energy, telecom and information technology sectors while the industrials, consumer discretionary, healthcare and financials sectors contributed negatively. The cash position, together with the unlisted component of the portfolio for which the valuations were unchanged, averaged 16 per cent over the period and this to some extent cushioned the Company from the overall decline in midcap stocks.

In the energy sector, Cairn India performed well on the back of the open offer by Sesa Goa (part of the Vedanta group) for 20 per cent of the total share capital. We sold out of the stock in May post the open offer at a 6 per cent profit over cost. Hindustan Petroleum Corporation, an oil marketing company, benefitted from the hike in diesel, kerosene and cooking gas prices by the government. Here also we disposed of our holding in June post the price change at an 8 per cent profit over cost. In the telecom sector Bharti Airtel (1.9 per cent average weighting for the period) was up 10 per cent on the back of improving business outlook both in India and Africa. In information technology, KPIT Cummins (2.2 per cent average weighting for the period) was up 19.6 per cent on account of good earnings growth and improved orders from its key customer, Cummins. KPIT derives over 65 per cent of its earnings from enterprise solutions for manufacturing clients. The full integration effect of the acquisition of In2Soft and CPG Solutions added to the healthy revenue performance. KPIT has guided for a healthy growth of around 25 per cent in revenue and profits for the financial year to 31 March 2012 and appears likely to achieve this.

In other areas of the economy, the portfolio benefitted from Yes Bank, a private sector bank, which outperformed as it has managed to control pressure on its margins even though interest rates have been rising. Also, unlike the public sector banks, Yes Bank has not faced any negative pressure on its earnings because of its asset quality or employee expenses (pension and gratuity). Indusind Bank, a medium sized private sector bank, up 8 per cent since the stake was acquired, has been consistently delivering on various key parameters including growth, margins and asset quality. Unlike its peers in the public sector, the bank has maintained healthy earnings and asset quality. The management seems to be on track to achieve its growth and profitability targets for the current financial year. In the healthcare sector, Opto Circuits performed well and was up 11.3 per cent on good performance in various business segments (invasive and non-invasive medical devices) and better cost management at Cardiac Science (a USA subsidiary, acquired in 2010) as evidenced by the quarterly results.

Performance (continued)

The area of the portfolio which continued to disappoint was the industrial sector.

Hindustan Dorr Oliver was down 56 per cent, IVRCL down 46 per cent and Jyoti Structures down 36 per cent. Continued high inflation in India has compelled the central bank to increase interest rates which is making new projects unviable and hence reducing the flow of new orders for the infrastructure companies. In addition to this, a lack of liquidity and the higher cost of funding working capital is causing customers to defer or slow the pace of ongoing projects. The infrastructure sector in India as a whole has suffered a market de-rating on the back of the decline in near term revenues and profitability and medium term order book growth.

We continue to stay invested in this sector as we believe that the sector has been oversold with Hindustan Dorr Oliver trading at a one year forward PE of 5.5x, IVRCL 7.3x and Jyoti Structures at 5.0x based on the Bloomberg consensus estimates. Infrastructure development is one of the most interesting structural themes in India and even though the government has delayed its spending there is no way for them to escape spending going forward if India's GDP has to grow above 8 per cent. We believe that the situation will improve in the near future, and the government will start to award an increasing number of new orders providing the necessary fillip to the sector.

Principal Investments at 30 June 2011

A full statement of the portfolio is set out on pages 14 to 15. Information on the principal holdings is set out below.

Marwadi Shares and Finance Limited

(9.93 per cent of the portfolio)

Marwadi Shares and Finance Limited, an unlisted company, is one of the leading retail broking houses in India. In the cash equity segment, it has market share of approximately 2.5 per cent. The company has 85 branches and over 718 channel partners operating over 6,200 trading terminals. Historically, the company has been predominantly retail focused. It has now completed more than a year in institutional broking & research and core wealth management services. The investment was sold in August 2011 at a small premium to the 30 June 2011 carrying value.

Prime Focus Limited

(6.88 per cent of the portfolio)

Prime Focus provides post production and visual effects services for films and television content. The company continues to be a market leader in India and is increasing its reach in the UK and North America. In recent years the company has developed a new proprietary conversion process View-D™ which converts 2D content to 3D for film and television, recently completing the 2D to 3D stereoscopic conversion of Paramount Pictures 'Transformers: Dark of the Moon', Warner Bros. Pictures 'Green Lantern' and 'Harry Potter and the Deathly Hallows Part Two'. At 30 June 2011, Prime Focus traded at 7x our internal estimate of earnings for the year to 31 March 2012 (FY12).

United Phosphorus Limited

(4.22 per cent of the portfolio)

United Phosphorus is a global player in the agro-chemicals industry with a strong presence in off-patent markets in the USA and Europe. Historically, the company has achieved strong growth based on a strategy to acquire small agro-chemical companies and tail-end brands of the big players in the USA and Europe. For the financial year to 31 March 2011 (FY11) the results suffered from the combined effect of the economic slowdown in the USA and Europe, and adverse winter and unseasonal rains domestically. However, it expects to grow 15 per cent + in FY12 on the back of strong expected growth in Western markets. As at 30 June 2011, it traded at 9.9x FY12 estimated earnings.

Bilcare Limited

(4.21 per cent of the portfolio)

Bilcare is the largest Indian company in the field of pharmaceutical packaging (both plastic and aluminium based). It has manufacturing plants in India and Singapore and recently acquired the plastics packaging units of Ineos, a Germany based company which has a turnover of EUR240million. It is one of the leading suppliers to pharmaceutical companies in the US and Europe with 25-35 per cent market share. With increasing per capita spend on healthcare and the rising spread of "blister" packaging, this segment is expected to show rapid growth. Bilcare is also active in the area of clinical trials services, where it offers patient enrolment services, medication packaging, trials structuring, and logistics management to the global pharmaceutical majors. Bilcare has also developed non-clonable anti-counterfeit solutions

Principal Investments at 30 June 2011 (continued)

across a wide range of products including medical packaging, event ticketing and currency notes. Based on our projections, as at 30 June 2011 Bilcare traded at 5.2 times FY12 estimated earnings.

S. Kumars Nationwide ("SKNL")

(4.06 per cent of the portfolio)

SKNL is the market leader in India in uniform fabrics (c. 70 per cent market share) and the second largest brand in the luxury suiting market (c. 23 per cent market share). SKNL owns Hartmarx Corporation based in the USA, which has more than 30 up-market and mid-market garment brands. SKNL has appointed the ex-CEO of Polo Ralph Lauren as head of this business and plans to combine strong international market brands with India's low cost manufacturing base. In addition SKNL owns the DKNY menswear global franchise (ex-Japan). The company has announced that it intends to IPO its luxury textile subsidiary, Reid & Taylor Ltd, (which is 25 per cent owned by GIC of Singapore) during 2011. Based on our projections, as at 30 June 2011 SKNL traded at 3.9 times FY12 estimated earnings.

Sintex Industries Limited

(3.75 per cent of the portfolio)

Sintex Industries has two key business segments – plastics (comprising monolithic construction, prefabricated structures, storage tanks and custom moulded composites) and textiles. In textiles, Sintex focuses on high-end shirting fabrics which have high operating margins and yield a steady source of cash for the company, although its revenue share is gradually decreasing. In plastics, Sintex has moved away from basic products such as tanks and doors to specialty plastics based products. Sintex is a leading player in the monolithic construction segment which will benefit from increased government spending on low-cost housing, while the prefabricated structures business should benefit from government welfare spending on healthcare, education, and sanitation. Based on our projections, as at 30 June 2011 Sintex traded at 8.9 times FY12 estimated earnings.

Jain Irrigation Systems Limited

(3.27 per cent of the portfolio)

Jain Irrigation focuses on micro irrigation systems and food processing. It manufactures drip irrigation and sprinkler irrigation systems, plastic pipes and other articles required for irrigation. Within food processing it has onion dehydration and fruit pulp processing operations and also manufactures other items such as solar cookers, solar water heaters and solar batteries. Micro irrigation in India is growing rapidly due to state and central government subsidies. Jain is by a significant margin the market leader in micro irrigation systems and its revenues have been growing at a robust pace over last many years. Based on our projections, as at 30 June 2011 Jain Irrigation traded at 18.4 times FY12 estimated earnings.

Federal Bank

(3.18 per cent of the portfolio)

Federal Bank is an old private-sector bank with a dominant presence in the southern state of Kerala. It currently operates 743 branches with a customer base of over 5 million including a non-resident Indian clientele base of over 0.4 million. The bank's advances are primarily to the SME and Retail segments which each form around 30 per cent of the loan book. The bank is extremely well capitalised and is expected to improve its returns going forward. With a new managing director, the bank has now started improving its pace of growth and asset quality. Based on our projections, as at 30 June 2011 the stock traded at 10.4 times estimated FY12 earnings and 1.4 times projected FY12 book value.

Yes Bank Limited

(2.98 per cent of the portfolio)

Yes Bank is a new-generation, private-sector bank. It is modelled on the 'knowledge-banking platform' and caters to specific industrial sectors. Key personnel with broad expertise in specific sectors provide a full range of customised financial services to each sector, helping the bank to nurture relationships in these sectors and thus to cross-sell products, increasing fee-based income, leveraging existing relationships and exploring new ones. With its different growth strategy and able management, the bank expects to grow at twice the pace of industry average. The bank has now focused on strengthening its liability franchise through branch banking. Based on our projections, as at 30 June 2011 the stock traded at 11.7 times estimated FY12 earnings and 2.3 times projected FY12 book value.

Principal Investments at 30 June 2011 (continued)

Indian Bank

(2.85 per cent of the portfolio)

Indian Bank is a south India based mid-sized public sector bank with total business of Rs 1.8 trillion. It operates with a branch network of 1,860 and more than 1,128 ATMs with pan-Indian presence. The Bank's advances are primarily to the Corporate and Commercial segment which constitutes 53 per cent of the loan book. Retail forms 15 per cent of the loan book, while the SME sector is around 13 per cent. It is currently 80 per cent owned by government, however the bank proposes to increase the public float with a follow-on public offer of around Rs 61 million in FY12. With a return on equity consistently above 20 per cent and a return on assets of 1.5 per cent, it is one of the best performing of the mid cap public sector banks. These return are expected to be maintained going forward. Based on our projections, as at 30 June 2011 the stock traded at 4.6 times estimated FY12 earnings and 1.0 times projected FY12 book value.

Conclusion

Inflation continues to have a negative impact on India but the Reserve Bank of India is sailing the correct course and tackling it head on. The recent, aggressive rate rises can be seen as a significant positive but their lag effect has not really been felt as yet. The fact that India is in total control of its monetary policy and is not concerned about an appreciating Rupee (it is not dependent on competitive exports) gives it the flexibility in its own destiny that many other Asian and European economies crave. Inflation could well trend down as monetary policy is starting to reduce demand driven inflation whilst a good monsoon is helping to reduce supply side. Added to this commodity prices are declining which should also help. In short it is our view that the outlook for inflation is trending positive.

Political paralysis has put the dampeners on infrastructure reform that is so dearly needed but the 2014 election brings the need for change to the forefront of the politicians minds and the ruling alliance's win in the State elections puts them in the driving seat to push through projects. The mood is positive, international joint ventures are being signed and the paralysis is slowly ebbing away. Political leaders are also starting to tackle corruption as demanded by the populous/international investors and an example is being made of those who abuse their position. This can only be good for the markets and India's standing as a nation.

The insatiable appetite for consumption, driven by the booming and growing workforce, in addition to rebounding government spending and private sector capital expenditure in an environment where monetary policy is close to the top of its interest rate cycle, gives us great food for thought. It is a very positive environment in which to be investing. This coupled with anaemic growth in the West, companies' order books improving, reasonable valuations and the mid-caps trading at a significant discount to large-caps puts the Company in a strong position moving forwards.

Investors are in "risk-off" mode at the moment, but India will become very attractive again when "risk-on" is back in vogue. When this happens, those who are already invested will have first mover advantage and in the meantime can be comforted by very sound social, political and economic drivers backed up by sensible valuations.

India Investment Partners Limited

13 SEPTEMBER 2011

Directors' Report

The Directors present their interim report and the unaudited consolidated condensed financial statements of the Group for the period from 1 January 2011 to 30 June 2011.

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 admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 22 December 2005.

Investment policy

The Group's investment objective is to provide long-term capital appreciation by investing (directly and indirectly) in companies based in India. The investment policy permits the Group to make investments in a range of Indian equity and equity linked securities and predominantly in listed mid and small cap Indian companies with a smaller proportion in unlisted Indian companies. Investment may also be made in large-cap listed Indian companies and in companies incorporated outside India which have significant operations or markets in India. While the principal focus is on investment in listed 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 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 2011.

Total Expense Ratio

The Total Expense Ratio ("TER") is the ratio of the Company's operating costs (excluding transaction charges and exchange losses on income transactions) to the average net assets of the Company.

The Company's TER for the period ended 30 June 2011 was 2.66 per cent (30.06.10: 2.50 per cent).

Substantial interests

Shareholders who at 8 September 2011 held an interest of 3 per cent or more of the Ordinary Share Capital of the Company are stated in the table below:

	NO. SHARES	% HOLDING
Caledonia Investments Plc	17,983,830	23.98
HSBC Global Custody Nominee (UK)	5,308,660	7.08
Banque De Luxembourg	5,000,000	6.67
Nortrust Nominees Limited	4,670,093	6.23
Rathbone Nominees Limited	4,629,127	6.17
Chase Nominees Limited	4,021,860	5.36
BNY Mellon Nominees Limited	3,510,279	4.68
State Street Nominees Limited	2,602,330	3.47

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 per cent).

Substantial interests (continued)

At 8 September 2011, the Manager, India Investment Partners Limited, and connected persons (not elsewhere disclosed) held in aggregate 2,201,334 (2.94 per cent) shares arising principally from the reinvestment of past performance fees in accordance with the management agreement.

Warrants

The final exercise period for warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share ran from 27 April 2011 to 25 May 2011. No warrants were exercised during this period. As this was the final exercise period, all warrants and the subscription rights attached to such warrants lapsed and, with effect from 9 June 2011, the admission of the warrants to trading on AIM ceased.

Directors

The names of the Directors of the Company are set out on page 1. All of the Directors were in office for the entire period and subsequent to the date of this report unless stated below.

On 11 August 2011 Mr Robin Nicholson resigned as a Director, and on the same date Mr Peter Niven was appointed to the Board.

Directors' interests

At 8 September 2011, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary Shares
Fred Carr	80,000
Jamie Cayzer-Colvin	99,627

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.

On 20 May 2011 the Investment Manager, India Investment Partners Limited, became a wholly-owned subsidiary of Caledonia Investments Plc. The arrangements with the Investment Manager are set out in Note 10.

Approved by the Board of Directors and signed on behalf of the Board on 13 September 2011.

Fred Carr
Peter Niven
Directors

13 SEPTEMBER 2011

Independent review report
to India Capital Growth Fund Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2011 which comprises the condensed consolidated statement of financial position, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated interim statement of cashflows and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "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 in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union (IAS 34).

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. 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", as adopted by the European Union (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 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 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 six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP | Guernsey, Channel Islands

13 SEPTEMBER 2011

Notes:

The maintenance and integrity of the India Capital Growth Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the 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 2011

HOLDING	TYPE	SECTOR	VALUE £000'S	% OF PORTFOLIO
Marwadi Shares and Finance Limited	Unlisted	Financials	4,458	9.93
Prime Focus Limited	Small Cap	Consumer discretionary	3,087	6.88
United Phosphorus Limited	Mid Cap	Materials	1,892	4.22
Bilcare Limited	Small Cap	Healthcare	1,889	4.21
S Kumars Nationwide Limited	Mid Cap	Consumer discretionary	1,822	4.06
Sintex Industries Limited	Mid Cap	Industrials	1,684	3.75
Jain Irrigation Systems Limited	Mid Cap	Industrials	1,468	3.27
Federal Bank	Mid Cap	Financials	1,428	3.18
Yes Bank Limited	Large Cap	Financials	1,336	2.98
Indian Bank	Mid Cap	Financials	1,276	2.85
Total top 10 equity investments			**20,340**	**45.33**
Other Small Cap	(9 companies)		6,010	13.39
Other Mid Cap	(15 companies)		12,152	27.08
Other Large Cap	(4 companies)		2,949	6.57
Other Unlisted	(1 company)		–	–
Total equity investments			**41,451**	**92.37**
Cash less other net current liabilities			3,422	7.63
Total Portfolio			**44,873**	**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 2011

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Listed Securities			
Consumer discretionary			
Hathway Cables and Datacom Limited	264,990	453	1.01
Prime Focus Limited	4,239,710	3,087	6.88
S Kumars Nationwide Limited	2,422,847	1,822	4.06
		5,362	11.95
Consumer staples			
Jyothy Laboratories Limited	307,000	929	2.07
United Breweries Holdings Limited	121,469	255	0.57
		1,184	2.64
Financials			
Arihant Foundation & Housing Limited	592,400	494	1.10
Dhanlaxmi Bank	589,000	960	2.14
Federal Bank	227,000	1,428	3.18
Indian Bank	431,298	1,276	2.85
Indusind Bank Limited	257,000	971	2.16
Infrastructure Development Finance Company Limited	610,900	1,114	2.48
Jammu & Kashmir Bank Limited	89,000	1,039	2.32
Manappuram General Finance & Leasing Limited	1,170,258	916	2.04
Oriental Bank of Commerce	95,000	435	0.97
Shriram Transport Finance Company Limited	46,978	403	0.90
Sobha Developers Limited	263,000	947	2.11
Yes Bank Limited	308,000	1,336	2.98
		11,319	25.23
Healthcare			
Bilcare Limited	331,623	1,889	4.21
Opto Circuits India Limited	114,950	476	1.06
		2,365	5.27
Industrials			
Eicher Motors Limited	60,361	1,091	2.43
Elecon Engineering Company Limited	680,000	619	1.38
Hindustan Dorr - Oliver Limited	710,568	497	1.11
IVRCL Limited	1,208,474	1,175	2.62
Jain Irrigation Systems Limited	620,193	1,468	3.27
Jyoti Structures Limited	614,100	725	1.62
Pratibha Industries Limited	880,108	659	1.47
Sintex Industries Limited	668,154	1,684	3.75
Voltas Limited	195,000	433	0.96
		8,351	18.61

Portfolio statement (continued)

As at 30 June 2011

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
IT			
KPIT Cummins Infosystems Limited	489,987	1,181	2.63
Redington (India) Limited	767,740	924	2.06
		2,105	4.69
Materials			
Bhushan Steel Limited	80,250	489	1.09
Gujarat NRE Coke Limited	1,338,362	900	2.01
Rain Commodities Limited	2,015,745	933	2.08
Rallis India Limited	35,829	764	1.69
United Phosphorus Limited	891,520	1,892	4.22
		4,978	11.09
Telecommunications			
Bharti Airtel Limited	84,000	461	1.03
Onmobile Global Limited	576,500	868	1.93
		1,329	2.96
Total listed securities		**36,993**	**82.44**
Unlisted Securities			
Financials			
Marwadi Shares and Finance Limited	1,680,976	4,458	9.93
IT			
CitiXsys Technologies Private Limited	817,650	-	-
Total unlisted securities		**4,458**	**9.93**
Total investments		**41,451**	**92.37**
Cash less other net current liabilities		**3,422**	**7.63**
Total Portfolio		**44,873**	**100.00**

Unaudited consolidated statement of comprehensive income

For the six months to 30 June 2011

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED SIX MONTHS TO 30.06.11 TOTAL £000	UNAUDITED SIX MONTHS TO 30.06.10 TOTAL £000	AUDITED YEAR TO 31.12.10 TOTAL £000
Income						
Interest income		-	-	-	-	1
Investment income		152	-	152	68	232
		152	**-**	**152**	**68**	**233**
Net (losses)/gains on financial assets at fair value through profit or loss						
Market movements	2	-	(8,055)	(8,055)	2,653	7,180
Foreign exchange movements	2	-	(1,892)	(1,892)	4,457	4,838
		-	**(9,947)**	**(9,947)**	**7,110**	**12,018**
Total (expense)/income		**152**	**(9,947)**	**(9,795)**	**7,178**	**12,251**
Expenses						
Management fee	10	(333)	-	(333)	(369)	(787)
Cost of acquisition and disposal of investments		-	(97)	(97)	(147)	(277)
Foreign exchange (losses)/gains		(86)	(2)	(88)	(22)	39
Other expenses	3	(258)	-	(258)	(244)	(469)
Total expenses		**(677)**	**(99)**	**(776)**	**(782)**	**(1,494)**
(Loss)/profit for the period/ year before taxation		(525)	(10,046)	(10,571)	6,396	10,757
Taxation	6	-	-	-	3	-
(Loss)/profit for the period/ year after taxation		**(525)**	**(10,046)**	**(10,571)**	**6,399**	**10,757**
(Loss)/earnings per Ordinary Share (pence)	4			(14.09)	8.53	14.34

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

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

The notes on pages 21 to 27 form part of these financial statements.

Unaudited consolidated statement of changes in equity

For the six months to 30 June 2011 (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 2011		750	(19,312)	4,027	(2,899)	72,878	55,444
Loss on investments	2	–	(1,956)	(6,099)	–	–	(8,055)
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(525)	–	(525)
Cost of acquisition and disposal of investments		–	(49)	(48)	–	–	(97)
Loss on foreign currency		–	(240)	(1,654)	–	–	(1,894)
Balance as at 30 June 2011		**750**	**(21,557)**	**(3,774)**	**(3,424)**	**72,878**	**44,873**

For the six months to 30 June 2010 (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 2010		750	(13,187)	(13,818)	(1,936)	72,877	44,686
Issue of ordinary shares		–	–	–	–	1	1
(Loss)/gain on investments	2	–	(9,435)	12,088	–	–	2,653
Revenue loss for the period after taxation (excluding 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**

The notes on pages 21 to 27 form part of these financial statements.

India Capital Growth Fund

Unaudited consolidated statement of changes in equity (continued)

For the year ended 31 December 2010 (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 2010		750	(13,187)	(13,818)	(1,936)	72,877	44,686
Issue of ordinary shares		–	–	–	–	1	1
(Loss)/gain on investments	2	–	(12,826)	20,006	–	–	7,180
Revenue loss for the year after taxation (excluding foreign exchange losses)		–	–	–	(963)	–	(963)
Cost of acquisition and disposal of investments		–	(119)	(158)	–	–	(277)
Gain/(loss) on foreign currency		–	6,820	(2,003)	–	–	4,817
Balance as at 31 December 2010		**750**	**(19,312)**	**4,027**	**(2,899)**	**72,878**	**55,444**

The notes on pages 21 to 27 form part of these financial statements.

Unaudited consolidated statement of financial position

As at 30 June 2011

	NOTES	UNAUDITED 30.06.11 £000	UNAUDITED 30.06.10 £000	AUDITED 31.12.10 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	5	41,451	46,733	52,172
Current assets				
Cash and cash equivalents	1	3,804	4,131	3,429
Receivables	7	927	381	10
		4,731	4,512	3,439
Current liabilities				
Payables	8	(1,309)	(159)	(167)
Net current assets		3,422	4,353	3,272
Total assets less current liabilities		44,873	51,086	55,444
Equity				
Ordinary share capital	9	750	750	750
Reserves		44,123	50,336	54,694
Total equity		44,873	51,086	55,444
Number of Ordinary Shares in issue		**75,001,463**	**75,001,463**	**75,001,463**
Net Asset Value per Ordinary Share (pence)		**59.83**	**68.11**	**73.92**

The unaudited consolidated condensed financial statements on pages 16 to 27 were approved by the Board of Directors on 13 September 2011 and signed on its behalf by:

Fred Carr
Director

Peter Niven
Director

The notes on pages 21 to 27 form part of these financial statements.

Unaudited consolidated statement of cash flows

For the six months to 30 June 2011

	NOTES	UNAUDITED SIX MONTHS TO 30.06.11 £000	UNAUDITED SIX MONTHS TO 30.06.10 £000	AUDITED YEAR TO 31.12.10 £000
Cash flows from operating activities				
Investment income		27	45	232
Bank interest		–	–	1
Management fee		(349)	(363)	(773)
Other cash payments		(288)	(291)	(488)
Net cash outflow from operating activities		**(610)**	**(609)**	**(1,028)**
Cash flows from investing activities				
Purchase of investments		(11,281)	(27,351)	(46,617)
Sale of investments		12,449	30,795	49,856
Transaction charges relating to the purchase and sale of investments		(97)	(147)	(277)
Net cash inflow from investing activities		**1,071**	**3,297**	**2,962**
Cash flows from financing activities				
Proceeds from issue of shares	9	–	1	1
Net cash inflow from financing activities		**–**	**1**	**1**
Net increase in cash and cash equivalents during the period/year		461	2,689	1,935
Cash and cash equivalents at the start of the period/year		3,429	1,434	1,434
Exchange (losses)/gains on cash and cash equivalents		(86)	8	60
Cash and cash equivalents at the end of the period/year		**3,804**	**4,131**	**3,429**

The notes on pages 21 to 27 form part of these financial statements.

Notes to the unaudited consolidated condensed financial statements

For the six months to 30 June 2011

1. Accounting Policies

Basis of accounting

The unaudited interim consolidated condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB). IFRS require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The most significant estimates relate to the valuation of unlisted investments. Actual results may differ from these estimates. Where presentational guidance set out in the Statement of Recommended Practice (SORP) for Investment Trusts issued by the Association of Investment Companies (AIC) in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. In particular, supplementary information which analyses the statement of comprehensive income between items of a revenue and capital nature has been presented alongside the consolidated statement of comprehensive income.

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 2010.

Basis of preparation

The unaudited interim consolidated condensed financial statements for the six months ended 30 June 2011 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Group's investments to fair values 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 2010.

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.

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.

1. Accounting policies (continued)

Investments

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

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

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

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

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.

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

1. Accounting policies (continued)

IFRS 9 - Financial instruments and IFRS 13 - Fair value measurement are effective for periods beginning on or after 1 January 2015 and 1 January 2013 respectively. The Board has not yet assessed the impact of those standards as these have been recently published. 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 (loss)/gain on financial assets at fair value through profit or loss

	Unaudited Six months to 30.06.11 £000	Unaudited Six months to 30.06.10 £000	Audited Year to 31.12.10 £000
Realised loss			
Proceeds from sales of investments during the period/year	13,216	31,129	49,856
Original cost of investments sold during the period/year	(15,410)	(35,094)	(55,841)
Loss on investments sold during the period/year	(2,194)	(3,965)	(5,985)
Market loss	(1,956)	(9,435)	(12,826)
Foreign exchange (loss)/gain	(238)	5,470	6,841
Unrealised market (loss)/gain			
Previously recognised unrealised (gain)/loss now realised	(69)	10,302	14,642
Current period market (loss)/gain	(6,030)	1,786	5,364
Market (loss)/gain	(6,099)	12,088	20,006
Unrealised market (loss)/gain on listed securities	(6,099)	12,088	20,006
Unrealised market loss on unlisted securities	-	-	-
Unrealised foreign exchange loss			
Previously recognised unrealised foreign exchange gain now realised	(431)	(2,991)	(3,888)
Current period foreign exchange (loss)/gain	(1,223)	1,978	1,885
	(1,654)	(1,013)	(2,003)
Net (loss)/gain on financial assets at fair value through profit or loss	(9,947)	7,110	12,018

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

3. Other expenses

Revenue	Unaudited Six months to 30.06.11 £000	Unaudited Six months to 30.06.10 £000	Audited Year to 31.12.10 £000
Directors' fees (note 10)	43	43	85
D&O insurance	7	8	17
Administration and secretarial fees (note 10)	60	61	124
Audit fee	24	22	48
Custody fees	10	14	24
Other advisory services	40	25	53
Warrant exercise period expenses	3	5	5
General expenses	71	66	113
	258	244	469

4. (Loss)/earnings per share

Loss per Ordinary Share is calculated on the loss for the period of £10,571,000 (30.06.10 - profit of £6,399,000) divided by the weighted average number of shares of 75,001,463 (30.06.10 - 75,000,530).

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

	Listed £000	Unlisted £000	Unaudited Six months to 30.06.11 Total £000	Unaudited Six months to 30.06.10 Total £000	Audited Year to 31.12.10 Total £000
Cost as at 1 January	43,502	3,854	47,356	56,580	56,580
Purchases	12,441	–	12,441	27,360	46,617
Sales proceeds	(13,216)	–	(13,216)	(31,129)	(49,856)
Transfer from unlisted to listed*	13	(13)	–	–	–
Realised loss on sale of investments	(2,194)	–	(2,194)	(3,965)	(5,985)
Cost at end of period/year	40,546	3,841	44,387	48,846	47,356
Unrealised (loss)/gain on revaluation	(4,536)	(89)	(4,625)	(6,446)	1,474
Unrealised foreign exchange gain on revaluation	983	706	1,689	4,333	3,342
Fair value at end of period/year	**36,993**	**4,458**	**41,451**	**46,733**	**52,172**
Fair value of listed securities at end of the period/year			36,993	42,155	47,527
Fair value of unlisted securities at end of the period/year			4,458	4,578	4,645

** The transfer from unlisted to listed represents the cost attributed to the investment in Jubilant Industries Limited, where the listing of the shares in the company became effective during the period and the shares were subsequently sold on 15 February 2011.*

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 Six months to 30.06.11 Total £000	Unaudited Six months to 30.06.10 Total £000	Audited Year to 31.12.10 Total £000
Equities	36,993	4,458	41,451	42,280	51,823
Participatory notes	–	–	–	2,041	349
Debt mutual funds	–	–	–	2,412	–
	36,993	4,458	41,451	46,733	52,172

At 30 June 2011, discussions were taking place for the prospective disposal of the principal unlisted investment, that in Marwadi Shares and Finance Limited. The negotiated price was above the then carrying value of the investment, but at that stage there was no certainty that a transaction would proceed to completion, although there was no reason to believe that it would not. Accordingly it was considered that the fair value of the investment was the negotiated price, less a discount for uncertainty and at an unchanged value, in INR terms, from that at 31 December 2010.

On 26 August 2011, the whole of the investment in Marwadi Shares and Finance Limited was sold to Amber 2010 Limited, a wholly owned subsidiary of Caledonia Investments PLC. As Caledonia Investments PLC is a material shareholder in the Company and the controlling shareholder of the Investment Manager this was a related party transaction. The price was thus based on an independent appraisal of value commissioned jointly by the parties. In the opinion of the Independent Directors, having consulted the Nominated Adviser, the price was fair and reasonable as regards shareholders in the Company.

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 (30.06.10: 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. Receivables

	Unaudited 30.06.11 Total £000	Unaudited 30.06.10 Total £000	Audited 31.12.10 Total £000
Sales of investments awaiting settlement	767	334	–
Dividend receivable	125	24	–
Other receivables and prepayments	35	23	10
	927	381	10

8. Payables

	Unaudited 30.06.11 Total £000	Unaudited 30.06.10 Total £000	Audited 31.12.10 Total £000
Purchases of investments awaiting settlement	1,160	8	–
Management fee	55	63	71
Other creditors	94	88	96
	1,309	159	167

9. 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	75,001,463	750
At 30 June 2011		
At 31 December 2010	75,001,463	750

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

The final exercise period for warrants to subscribe for Ordinary Shares in the Company at a subscription price of £1.00 per share ran from 27 April 2011 to 25 May 2011. No warrants were exercised during this period. As this was the final exercise period, all warrants and the subscription rights attached to such warrants lapsed and, with effect from 9 June 2011, the admission of the warrants to trading on AIM ceased.

10. Related party transactions

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

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

10. Related party transactions (continued)

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 per annum and £15,000 per annum to each other Director. These fee rates have remained unchanged from the prior year. Since the period end, the Board has determined that the Chairman of the Audit Committee should receive a fee of £18,000 per annum.

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 £333,000 in management fees during the six months ended 30 June 2011 (six months ended 30.06.10: £369,000) of which £55,000 was outstanding at 30 June 2011 (31.12.10: £71,000).

The Investment Manager is also entitled to receive a semi-annual performance related fee from the Company if the Net Asset Value per Share at the end of the half-year performance period (a) exceeds the Net Asset Value per Share at the start of the performance period by an annualised, annually compounded, rate of more than 10 per cent (the "Performance Hurdle") and (b) exceeds by an annualised, annually compounded, rate of more than 10 per cent of the highest previously recorded Net Asset Value per Share at the end of the performance period in respect of which a performance fee was last paid (the "High Water Mark"). At 30 June 2011, the High Water Mark was 243.44 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 six months ended 30 June 2011 (30.06.10: £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 for administration and secretarial services during the six months ended 30 June 2011 (six months ended 30.06.10: £37,000) of which £19,000 was outstanding at 30 June 2011 (31.12.10: £19,000).

11. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2011 (31.12.10: Nil).

12. Subsequent events

As disclosed in Note 5, on 26 August 2011 the Group disposed of its largest unlisted investment.

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

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