India
Capital Growth Fund

Interim report and unaudited consolidated condensed financial statements

For the period from
1 January 2013 to
30 June 2013

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Contents

Management and administration

Directors

Fred Carr (Chairman)
Jamie Cayzer-Colvin
John Whittle
Peter Niven
Vikram Kaushik

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Management and administration (continued)

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Chairman's statement

After a robust 2012 for the Indian equity markets, the first half of 2013 has proved to be more challenging.

The net asset value of the Company fell by 10.0% to 46.1 pence. This constituted an outperformance of 8.2% against the BSE Mid Cap Index, the Company's notional benchmark which fell 18.2%. Whilst the Board is satisfied with such strong relative performance, it has occurred against a backdrop of renewed negativity and uncertainty in the stock market, creating negative absolute returns.

Economy and politics

2012 ended on an optimistic note for India's capital markets. The Government, under substantial pressure from the international debt rating agencies, announced a slew of positive reforms. Fuel subsidies were cut, easing pressure on the ballooning fiscal deficit, a number of anti-business policy proposals were reversed and foreign direct investment limits in certain sectors of the economy were raised. Accompanying this, inflation fell further towards more comfortable levels and GDP growth appeared to bottom out. Indeed, the Reserve Bank of India (RBI), which has been appropriately hawkish in its monetary policy over recent years, initiated a turn in the interest rate cycle with 75bp of cuts in the repurchase rate between January and May.

Despite these positives, events in the global market place, well beyond India's control, exposed further the vulnerability of the Indian economy. The rising import bill (driven by fuel and gold), coupled with weaker export growth, added further pressure to the elevated current account deficit, which in turn fuelled weakness in the currency, which is prone to the risk appetite of international capital flows. This pressure intensified following the US Federal Reserve Chairman Ben Bernanke's announcement of a potential "tapering" of quantitative easing as the US economy gained traction. India was not alone in this regard, as the Emerging Market currencies across the globe suffered similar pressure.

At the time of writing, the depreciation of the Rupee prompted the RBI to reverse partially the monetary easing upon which it had embarked in order to stabilise the currency. Overnight borrowing costs have been raised, tightening liquidity in the banking sector. This increased cost of credit will be passed onto corporate India, which ahead of the 2014 General Election is already reluctant to kindle its "animal spirits".

Outlook

The recent attempts by the Government to revive sentiment have been long overdue, yet we are still to see any meaningful visibility on "big ticket" reforms such as land acquisition, the removal of prohibitive labour laws and stalled infrastructure projects. These policy failures have frustrated foreign investors which, coupled with increasing investor confidence in the USA's economic recovery and monetary easing from the Central Bank of Japan, has led to a momentary re-writing of the Emerging Market story away from being a "must have", to one where caution prevails. We believe this is only temporary however and assuming the global economy gains strength in the months to come, Emerging Markets such as India will once again be viewed by investors as a market where elevated returns can be earned.

It would also appear that downward pressure on the currency has played out. Not only do policy makers appear committed to implementing supportive measures but pressure on the current account deficit is also moderating. Actions to support the currency, such as the launching of an offshore dollar denominated Sovereign bond for non-resident Indians, as well as continuing the removal of hurdles for FDI are expected to reverse sentiment. Certainly from a purchasing power parity basis against a basket of international currencies, the Indian Rupee now appears undervalued.

In the medium and long term, we believe the changing global environment will serve to enforce the attractive investment proposition that India still provides rather than detract from it. As ultra-loose monetary policy comes to an end, the shale gas "revolution" increases global fuel supply and China re-balances away from an investment dominated economy, the expected moderation in commodity prices will benefit India. Indeed, the mind-set of viewing "Emerging Markets" as a single asset class is changing as investors look to differentiate between commodity producers such as Brazil and Russia, and domestic consumption driven economies such as India.

Political uncertainty ahead of the 2014 national election will no doubt dominate headlines in the coming months. However, history has shown no matter what party has been in power since India's liberalisation in 1991, overall a reform agenda of growth through international trade and investment has prevailed. The two main parties, whilst having to accommodate several small coalition partners, do not show any sign of deviating from this historical norm. Furthermore a strong monsoon this year has added to the positive of falling inflation which will support rural consumption.

The headwinds of a shifting global macro environment, capital markets, the Rupee and domestic politics appear to have passed their worst. In the face of such challenging market conditions, the investment manager has shown robust relative performance. The Company has outperformed the BSE Midcap Index by 8.2% over the period as mentioned above, and has delivered an outperformance of 10.7% over the last 12 months. Although absolute returns are yet to be realised this performance is still commendable. As such the pursuit of a patient, disciplined, long term, bottom-up investment process should bear fruit.

Fred Carr | Chairman
11 September 2013

Investment Manager's report

Introduction

The first half of 2013 has seen the Indian equity markets fall back after a strong performance in 2012 and the Indian Rupee depreciated 2.5% against Sterling. The BSE Mid Cap Index, the Company's notional benchmark, declined 18.2% and Ocean Dial's Composite Index declined 15.1%, whilst the broader BSE Sensex declined a more modest 2.6%, all in Sterling terms. Against this backdrop, the NAV of the fund was down 10.0%, outperforming the notional benchmark by 8.2% and the Composite Index by 5.1%. A detailed discussion on the performance of the portfolio is included later in the report.

The year started amidst a lot of hope that the various initiatives announced by the Government would kick start the investment cycle and thus drive growth. While the Government has continued on the reform path and has been able to control inflation and the fiscal deficit, the factors expected to lead an acceleration of the growth; declining interest rates, unclogging of stalled projects and some pickup in exports, are taking much longer to materialise. Meanwhile, the announcement by the US Federal Reserve of a calibrated withdrawal of QE 3 led to a sharp sell-off in Emerging Markets equities, with India being no exception. The outflow of capital, in India's case largely debt, has led to a 5.7% depreciation in the Indian Rupee vs. USD in the month of June. Given India's structural current account deficit, this could have serious implications on the revival of growth. Not only would it lead to imported inflation once more, but it may force the RBI to raise rates to defend the currency - we are already seeing some short term measures to curb gold imports and increase short term interest rates. This has already heightened the uncertainty on the uptick in growth we had anticipated. We thus find ourselves in a very uncertain environment as we enter the second half of the year.

Economy & Outlook

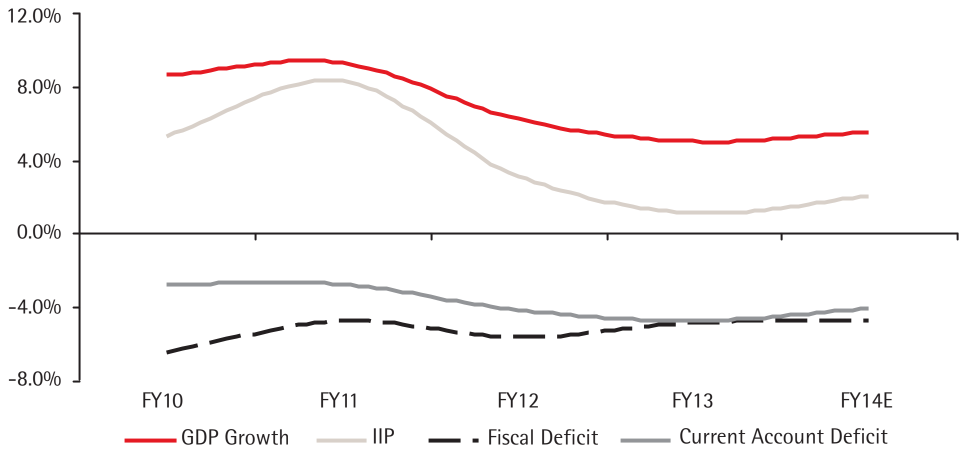
The year began against the backdrop of a sustained decline in most macro parameters. GDP growth had been steadily declining while IIP growth had turned negative. At the same time inflation remained at elevated levels. There was also a fear that the Government's fiscal deficit would be far higher than budgeted, forcing the Government to borrow more, crowding out investment for the private sector. Even on the external front, weak exports and inelastic imports led by oil and gold have created a significant current account deficit, increasing India's dependence on capital accounts to fund the balance of payments.

Despite this, 2013 commenced with the expectation that the worst was behind us and the bottom of the cycle was near. This optimism was driven by the fact that a lot of problems were self-inflicted, thus with its back to the wall, the Government announced a slew of reformist initiatives in the last quarter of 2012. These were aimed at kick starting stalled projects, attracting overseas investments and addressing its own balance sheet by reducing subsidies.

While there was some scepticism that such measures would not be sustained given that elections were scheduled for mid-2014, the first half continued to see the Government attempting to improve the investment climate. The budget presented in February 2013 not only surprised us by keeping the deficit for FY13 at just 4.2% vs. an anticipated 5%+, but more importantly, there were no populist measures announced while subsidies continued to be reduced.

Despite all these efforts, the investment climate has not improved and GDP growth in Q1CY13 came in at just 4.8%, the lowest in a decade, while IIP is see-sawing between positive and negative territory month-on-month. While the Government has set up committees to fast track all large projects which have seen delays, the pace of change is slow as each project has its own set of challenges which need to be addressed at the local, state and central levels. Moreover, within the bureaucracy, a fear of favouritism towards any industrialist continues to delay any speedy resolution of projects. A number of projects have also gone into litigation. Even at the corporate level, with balance sheets leveraged and margins under pressure, companies are focused more on improving cash flows. Corporates are thus still in a wait and watch mode. Although this pace is slow, we believe incrementally the direction is positive as some sectors like Railways and Roads are getting back into investment mode. The Government still continues to maintain that they should be able to do incremental investments of USD17bn in the infrastructure sector in the remaining part of the financial year.

Chart 1: Improving macro variables

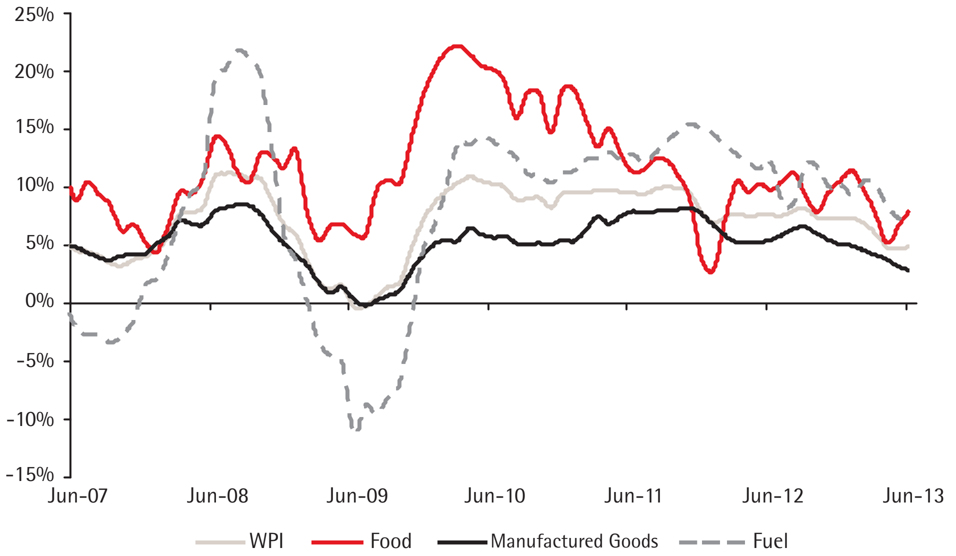


Source: Bloomberg

There have been silver linings which allowed for a more positive outlook, the most important being that after three years of being above 8% levels, inflation has begun to moderate, ending June 2013 at 4.86%. This has led to the RBI easing interest rates by 75bps since January 2013 from 8% to 7.25%. This is a huge positive as not only does it reduce the stress in corporate balance sheets, it changes the mindset from one of conserving cash into investment mode.

Another positive was the expectation of a pick-up in government expenditure. In the run up to the Budget in February, the Government had aggressively cut back on expenditure to rein in the deficit. With this behind us, the Government has once again opened its purse strings. We have already seen a 15% rise in government spending in the quarter ended June 2013, which should in turn increase the money supply in the system and help boost demand.

Chart 2: Inflation and its components



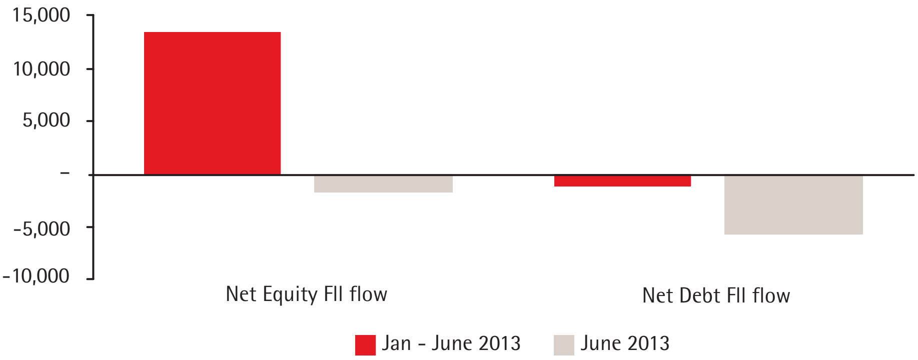
Source: Bloomberg

The early arrival of the monsoon should give a big boost to rural demand. Based on the levels of rainfall up to the end of June, which have been excessive in many parts of the country, combined with good forecasts, there is an expectation of a strong monsoon this year. This should itself help increase GDP growth by a percentage point.

While there are signs of improvement in the domestic economy, it is global developments which are upsetting the applecart and could have deep ramifications on the economic outlook as well. The announcement by the US Federal Reserve of a calibrated withdrawal of quantitative easing has led to a sharp sell-off of equities and bonds across Emerging Markets. This is on expectations that the US economy is on a recovery path and the surplus liquidity in the system will not be available. Consequently, money has moved back to US bonds, driving up yields in 10 year US Treasury Bonds by over 50bps to 2.5%.

India too has felt these effects; between 22 May, when the Federal Reserve made the announcement, and the end of June, there was a net FII outflow of USD6.8bn in the debt markets and USD0.8bn in the equity markets. The biggest impact and destabilizing factor has however been on the currency, particularly for countries which run a current account deficit. For India, this has always been a structural weakness, which was amplified in the period FY12-FY13, when the current account deficit moved up from an average of 2.5-3.0% to 5.2%. The increased dependence on capital flows and the sudden sharp outflow has led to a 7.5% depreciation of the INR vs. USD since the announcement by the US Federal Reserve.

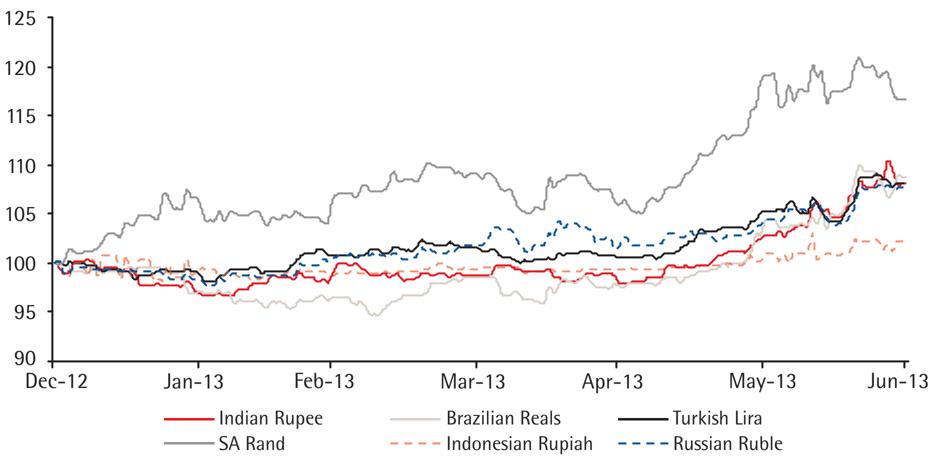
Chart 3: Net equity and debt flows (USDm)



Source: Bloomberg

There are several implications for India. Companies with unhedged overseas borrowing could suffer large losses. At the same time, as India is a net commodity importer, there will be imported inflationary pressure. The bigger implication however is on policy measures that may be taken to stem the Rupee slide. While the Government has already put severe restrictions on gold imports and currency speculation, it is yet to have led to any material impact on the currency. Many other emerging economies have raised interest rates to encourage debt capital flows as spreads rise. Should India also go that route, it could imply a reversal in the interest rate cycle. While it is still too early to say, should the RBI raise rates it could have implications on GDP growth and corporate earnings growth would remain in low single digits. There is also the possibility of a further deterioration in the asset quality of banks as a number of corporates who have restructured loans, may end up as defaulters.

Chart 4: Emerging Markets currency depreciation



Source: Bloomberg

As we enter the second half of the calendar year, we believe the environment has certainly turned for the worse. At the domestic level, there is disappointment that the policy measures announced are yet to lead to substantial investment on the ground. The positivity generated from a good monsoon and declining inflation is being offset by the volatility in the currency and fears that the interest rate easing cycle may not be sustainable. There is also a fear that with elections approaching in 2014, there will be a limited window for the Government to take further policy initiatives.

Nonetheless, we still believe growth for FY14 could still be ahead of the 5% GDP growth achieved in FY13. Agriculture, led by good monsoon rains should itself help achieve this higher growth. Moreover it will also drive rural incomes, which flow straight into the consumption basket. Besides this, a recovery in the US along with a weaker currency would also help the export oriented sectors like Textiles, IT and Healthcare, many of which are labour intensive. The outlook for the Industrial and Infrastructure sectors is however less certain as they still face a lot of macro headwinds.

Portfolio construction and performance

During the half year ended June 2013, the BSE Mid Cap Index was down 16.2% whilst Ocean Dial's Composite Index fell 13.0%, both in Rupee terms. The Net Asset Value of the Company was down 7.8% in Rupee terms, an outperformance of 8.4% against the notional benchmark and 5.2% against the Composite Index. All sectors contributed to the negative returns, with Financials, Industrials and Materials the worst performing.

Incremental investments were largely in stocks in the IT and Consumer sectors, while we trimmed exposure in the Financial sector. In terms of portfolio positioning, the key differentiator against the benchmark was our significant underweight in the Materials and Consumer Discretionary sectors, whilst our biggest overweight exposure was in Financials. Positive relative performance was generated from our portfolio positioning across all sectors barring Financials. Average cash position over the period was ca. 5%.

Portfolio holdings which positively contributed were Berger Paints (3.2% weighting), Idea Cellular (3.6% weighting), and IPCA laboratories (3.2% weighting), giving gains of 43%, 36% and 26% respectively for the six months to June. The relative negative contribution came from Manappuram Finance (0.9% weighting), MCX Ltd (1.6% weighting) and Indian Bank (2.0% weighting), which fell 69%, 48% and 42% respectively.

Principal Investments at 30 June 2013

Jyothy Laboratories Ltd (6.0% of the portfolio)

Jyothy Laboratories (Jyothy) manufactures fabric care, mosquito repellents and dish washing soaps under the Ujala, Maxo and Exo brands respectively. Jyothy further enhanced its diversified product range with the acquisition of Henkel India in June 2011, adding brands in the personal and homecare sectors. With the successfully integration of Henkel, focus has been on brand positioning and streamlining manufacturing, supply chain and distribution operations. With a strong brand portfolio and management team in place, we see a period of sustained above market growth along with operating leverage driving earnings. Based on the closing market price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 32.5x.

Federal Bank Ltd (4.9% of the portfolio)

Federal Bank is an old private sector bank with a network of over 1,000 branches and a dominant presence in the southern Indian state of Kerala. The Bank's lending is dominated by the SME and retail segments (30% each of the loan book). Having re-engineered its credit underwriting process and put in place solid risk management architecture over the last 24 months, Federal Bank is now poised for the next phase of "Growth with Quality". With a new management team, the Bank has focused on well- defined medium term goals and should be on track to achieve strong growth with a defined strategy and systems in place. We continue to believe that the Bank is a potential re-rating story on the back of improving profitability and growth, aided by a healthy capital position. Based on the closing market price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 7.3x and 1.0x projected FY14 book value.

KPIT Cummins Infosystems Ltd (4.4% of the portfolio)

KPIT Cummins is a mid-sized Indian IT services company operating in the automotive, manufacturing, energy and utilities segments. It has strong IT practices and it has developed capabilities both through in- house research and acquisitions. Its relationship with Cummins Inc. (strategic investor and significant client) has provided KPIT with the engineering know-how to pitch to other manufacturing clients. The company's focus on a few market segments has worked well, allowing it to achieve 31% CAGR in revenues and 32% CAGR in net profit over the last four years. KPIT is benefiting from the incremental role of IT in auto-manufacturing and counts six of the top 10 global auto OEMs as its clients. It expects to grow at 14% growth in the current year, well above industry average. Based on the closing price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 9.4x.

Lupin Ltd (4.3% of the portfolio)
Lupin is a pharmaceuticals manufacturer operating in the generics space, with a strong presence in its domestic market and the USA. The company has established itself in more than 70 countries, with a sizeable presence in Japan, South Africa and the European Union. Lupin was the fastest growing Indian firm in the US generics market in the past two years, and is now the fifth largest in terms of prescriptions. It is the market leader in 16 out of 35 launched products in the USA. It has one of the largest Abbreviated New Drug Applications (ANDA) pipelines among Indian generics. It has also targeted difficult-to-formulate drugs and has successfully built a pipeline of limited-competition products in the USA demonstrating its strong R&D capabilities. At home, it has outpaced the market growth in domestic formulations over the past five years. Based on the closing price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 22.4x.

Yes Bank Ltd (4.1% of the portfolio)
Yes Bank is a new generation, private sector bank which, since its inception in 2004, has already become the fourth largest private sector bank in India. Its strength is its management team led by its founder Rana Kapoor, a veteran from ANZ Grindlays Bank and Rabo Bank. By adopting the best systems and practices prevalent in the industry, the Bank has expanded to over 350 retail branches, and is now focusing on building a strong retail franchise. It has consistently delivered high shareholder returns during the last five years with ROE greater than 20% and ROA in the range of 1.3% to 1.5%. Given its track record of meeting its clearly defined five year targets, we believe the bank will continue to grow above the industry average for several years to come. Based on the closing market price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 10.6x and 2.2x projected FY14 book value.

Kajaria Ceramics Ltd (3.8% of the portfolio)
Kajaria is the second largest tile manufacturer in India and the market leader in northern India. Market dynamics are favourable; the tile market has grown at a CAGR of 15-16% in last five years and should continue doing so for the next five years. Tile penetration in India is still very low and consumption should benefit from the housing boom and commercial developments, along with higher consumer aspirations. With its strong market positioning, Kajaria is well placed to leverage on a gradual upward movement in the value chain and its industry-leading margins are due to a low proportion of imports, higher sales to the retail sector and a superior product mix. The increasing use of the joint venture model has allowed Kajaria to expand its geographical footprint, which should in turn fuel growth and improve ROCE. Based on the closing price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 13.4x.

Idea Cellular Ltd (3.6% of the portfolio)
Idea is India's fourth largest mobile operator with 98 million subscribers, Pan-Indian 2G operations and the third largest by revenue market share at 14%. We are positive on the telecom sector in India as we see the industry consolidating from a 15 player market to six or seven players. This is imperative as besides the top four private sector telecom companies, the majority of the smaller companies are loss making with business models we find unsustainable. Consolidation would improve both pricing and profitability of the industry. Given Idea's 2G expansions and on-going 3G rollout, the company should be able to gain market share and sustain its competitiveness. Idea is also the second most profitable listed telecom company after Bharti. Based on the closing price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 29.1x.

Dish TV India Ltd (3.5% of the portfolio)
Dish TV is the largest direct to home (DTH) service provider in India with a net subscriber base of 10.5m. The Indian DTH industry is a six-player market and Dish TV is the market leader with approximately 28% market share. Subscriber growth has been accelerating with phase 1 of the government-mandated digitalisation being rolled out in four metropolitan areas (Mumbai, Delhi, Chennai and Kolkata). All of India's TV households are expected to be digitalised in three further phases by the end of 2014. Digitalisation, if implemented well, will be a significant catalyst, since it will force 80m analogue households to choose either a DTH set-

top box or digital cable offered by the Multi System Operators. With Dish TV being the leader in the DTH market, it should reap the maximum benefits from this digitalisation. Dish TV is currently loss making due to the high subscriber addition costs as it subsidises the set-top box. The company has however already turned cash flow positive and is expected to be profitable in FY15.

Emami Ltd (3.4% of the portfolio)
Emami is a leading FMCG player in India, operating in certain attractive segments such as skincare and hair oil. The company has been operating in health, beauty and personal care products for the past 30 years and has sustained a prominent position in therapeutic and Ayurvedic based products, ensuring strong entry barriers for competitors. Over the years, Emami has innovated and built popular and recognisable brands that have helped develop a strong customer loyalty leading to high gross margins, high barriers to entry, strong brand equity, mass acceptance and superior growth opportunities. Emami's management has demonstrated a good track record in building brands as well sustaining above market growth and profitability, a trend we see continuing into the future. Based on the closing price on 30 June, the stock trades at a price to projected FY14 earnings ratio of 28.3x.

The Jammu and Kashmir Bank Ltd (3.4% of the portfolio)
Jammu and Kashmir Bank, majority owned by the J&K state Government, is a niche high quality bank available at discount valuations. The Bank has a virtual monopoly in its home state, with a 70% share in both deposits and credit. Its competitive edge comes from its branch presence across all districts in the state, leaving little room for competing banks to establish any sizeable presence in the state. The Bank enjoys one of the highest margins in the sector at 4.0%, without compromising on asset quality, combined with strong core ratios; an RoA of 1.5%, RoE of 20%, provision coverage ratio of 93% and Tier1 capital of 11.6%. With an improving state economy, the bank has entered a high growth phase and is well poised to sustain healthy credit growth in coming years. Based on the closing market price on 30 June, J&K trades at a price to projected FY14 earnings ratio of 5.3x and 1.0x projected FY14 book value.

Ocean Dial Asset Management
11 September 2013

Directors' report

The Directors present their interim report and the unaudited consolidated condensed financial statements of the Group for the period from 1 January 2013 to 30 June 2013.

The Company

India Capital Growth Fund Limited (the "Company") was registered in Guernsey on 11 November 2005 and is a closed-ended investment company. At 30 June 2013, the Company had one wholly owned Mauritian subsidiary, ICG Q Limited comprising the "Group". The Company was admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 22 December 2005.

Investment policy

The Company'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 Company 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 Company has the flexibility to invest in bonds (including non-investment grade bonds), convertibles and other types of securities. The Company may, for the purposes of hedging and investing, use derivative instruments such as financial futures, options and warrants. The Company 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 Company at the time of the drawdown. It is the Company'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 5 to 11.

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 2013.

Ongoing Charges

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the ongoing charges ratio of the Group for the period ended 30 June 2013 was 2.66 per cent (30.06.2012: 2.90 per cent). No performance fees were charged during the period.

Substantial interests

Shareholders who at 30 June 2013 held an interest of 3 per cent or more of the Ordinary Share Capital of the Company are stated in the table below:

	NO. SHARES	% HOLDING
HSBC Global Custody Nominee (UK)	20,279,324	27.04
Nortrust Nominees Limited	9,809,208	13.08
Rathbone Nominees Limited	5,440,077	7.25
Securities Services Nominees Limited	5,384,000	7.18
Chase Nominees Limited	5,230,675	6.97
BNY (OCS) Nominees Limited	3,850,000	5.13
Harewood Nominees Limited	2,900,000	3.87

Directors' report (continued)

At 30 June 2013, the Investment Manager, Ocean Dial Asset Management Limited, and connected persons (not elsewhere disclosed) held in aggregate 1,905,878 (2.54%) Ordinary Shares.

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.

Directors' interests

At 30 June 2013, Directors and their immediate families held the following declarable interests in Ordinary Shares:

	Ordinary Shares
Fred Carr	100,000
Jamie Cayzer-Colvin	99,627

Investment Manager

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

Interim Results Review

No interim audit has been performed on the Company's interim results for the period to 30 June 2013. The Auditor's scope of work for the interim has been reduced to include only the review of the consistency of the accounting policies and the review of the presentation and disclosure requirements. No formal opinion has been issued by the Auditors as the review of the reported figures on the condensed set of financial statements has not been performed.

Approved by the Board of Directors and signed on behalf of the Board on 11 September 2013.

Fred Carr

Peter Niven

Principal group investments

As at 30 June 2013

HOLDING	TYPE	SECTOR	VALUE £000's	% OF PORTFOLIO
Jyothy Laboratories Limited	Mid Cap	Consumer staples	2,060	5.96
Federal Bank Limited	Mid Cap	Financials	1,680	4.88
KPIT Cummins Infosystems Limited	Mid Cap	IT	1,513	4.37
Lupin Limited	Large Cap	Healthcare	1,494	4.32
Yes Bank Limited	Large Cap	Financials	1,401	4.05
Kajaria Ceramics Limited	Mid Cap	Consumer discretionary	1,303	3.77
Idea Cellular Limited	Large Cap	Telecommunications	1,254	3.63
Dish TV India Limited	Mid Cap	Consumer discretionary	1,192	3.45
Emami Limited	Large Cap	Consumer staples	1,183	3.42
The Jammu & Kashmir Bank Limited	Mid Cap	Financials	1,177	3.41
Indusind Bank Limited	Large Cap	Financials	1,139	3.30
IPCA Laboratories Limited	Mid Cap	Healthcare	1,094	3.17
Berger Paints (I) Limited	Mid Cap	Consumer discretionary	1,090	3.15
Max India Limited	Mid Cap	Industrials	1,081	3.14
Motherson Sumi Systems Limited	Large Cap	Consumer discretionary	1,073	3.11
Larsen & Toubro Limited	Large Cap	Industrials	1,069	3.09
Eicher Motors Limited	Mid Cap	Industrials	1,030	2.98
Dewan Housing Finance Corporation Limited	Mid Cap	Financials	1,001	2.90
Divi's Laboratories Limited	Large Cap	Healthcare	957	2.77
Cairn India Limited	Large Cap	Energy	834	2.41
Total top 20 equity investments			**24,625**	**71.28**
Other Small Cap	(3 companies)		1,374	3.98
Other Mid Cap	(8 companies)		4,776	13.81
Other Large Cap	(2 companies)		1,463	4.23
Other Unlisted	(1 company)		–	–
Total equity investments			**32,238**	**93.30**
Cash plus other net current assets			2,315	6.70
Total Portfolio			**34,553**	**100.00**

Note:
Large Cap comprises companies with a market capitalisation above INR 100 billion (£1.1 billion)
Mid Cap comprises companies with a market capitalisation between INR 15 billion and INR 100 billion (£165 million – £1.1 billion)
Small Cap comprises companies with a market capitalisation below INR 15 billion (£165 million)

Portfolio statement

As at 30 June 2013

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Listed Securities			
Consumer discretionary			
Berger Paints (I) Limited	432,740	1,090	3.15
Dish TV India Limited	1,783,212	1,192	3.45
Kajaria Ceramics Limited	500,000	1,303	3.77
Motherson Sumi Systems Limited	493,500	1,073	3.11
		4,658	13.48
Consumer staples			
Dabur India Limited	387,640	661	1.91
Emami Limited	224,573	1,183	3.42
Jyothy Laboratories Limited	1,042,368	2,060	5.96
		3,904	11.29
Energy			
Cairn India Limited	262,000	834	2.41
Petronet LNG Limited	586,000	802	2.32
		1,636	4.73
Financials			
Arihant Foundations & Housing Limited	592,400	290	0.84
Dewan Housing Finance Corporation Limited	570,890	1,001	2.90
Federal Bank Limited	374,250	1,680	4.88
Indian Bank	540,413	682	1.97
Indusind Bank Limited	222,000	1,139	3.30
The Jammu & Kashmir Bank Limited	87,500	1,177	3.41
Manappuram General Finance & Leasing Limited	2,588,835	301	0.87
MCX INDIA LTD	64,621	544	1.57
Sobha Developers Limited	206,612	796	2.30
Yes Bank Limited	277,000	1,401	4.05
		9,011	26.09
Healthcare			
Divi's Laboratories Limited	88,000	957	2.77
IPCA Laboratories Limited	152,175	1,094	3.17
Lupin Limited	174,200	1,494	4.32
		3,545	10.26

Portfolio statement (continued)

As at 30 June 2013

HOLDING	NOMINAL	VALUE £000's	% OF PORTFOLIO
Industrials			
Eicher Motors Limited	28,646	1,030	2.98
Jain Irrigation Systems Limited	1,013,293	578	1.67
Larsen & Toubro Limited	69,200	1,069	3.09
Max India Limited	492,405	1,081	3.14
Sintex Industries Limited	1,765,000	783	2.27
Voltas Limited	878,627	780	2.26
		5,321	15.41
IT			
KPIT Cummins Infosystems Limited	1,130,134	1,513	4.37
NIT Technologies Limited	241,556	719	2.08
		2,232	6.45
Materials			
P.I. Industries Limited	227,859	322	0.93
Rallis India Limited	228,149	355	1.03
		677	1.96
Telecommunications			
Idea Cellular Limited	808,000	1,254	3.63
		1,254	3.63
Total listed securities		**32,238**	**93.30**
Unlisted Securities			
IT			
CitiXsys Technologies Private Limited	817,650	–	–
Total unlisted securities		**–**	**–**
Total investments		**32,238**	**93.30**
Cash plus other net current assets		**2,315**	**6.70**
Total Portfolio		**34,553**	**100.00**

Unaudited consolidated statement of comprehensive income

For the six months to 30 June 2013

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED SIX MONTHS TO 30.06.13 TOTAL £000	UNAUDITED SIX MONTHS TO 30.06.12 TOTAL £000	AUDITED YEAR TO 31.12.12 TOTAL £000
Income						
Investment income		267	–	267	151	537
Other income		1	–	1	–	–
		268	**–**	**268**	**151**	**537**
Net (losses)/gains on financial assets at fair value through profit or loss						
Market movements	3	–	(2,611)	(2,611)	6,406	11,984
Foreign exchange movements	3	–	(892)	(892)	(2,541)	(2,684)
		–	**(3,503)**	**(3,503)**	**3,865**	**9,300**
Total income/(expense)		**268**	**(3,503)**	**(3,235)**	**4,016**	**9,837**
Expenses						
Management fee	12	(282)	–	(282)	(254)	(531)
Transaction charges for acquisition and disposal of investments		–	(19)	(19)	(79)	(124)
Foreign exchange losses		(87)	–	(87)	(14)	(41)
Other expenses	4	(216)	–	(216)	(236)	(446)
Total expenses		**(585)**	**(19)**	**(604)**	**(583)**	**(1,142)**
(Loss)/profit for the period/year before taxation		(317)	(3,522)	(3,839)	3,433	8,695
Taxation	7	–	–	–	–	–
(Loss)/profit for the period/year after taxation		**(317)**	**(3,522)**	**(3,839)**	**3,433**	**8,695**
(Loss)/earnings per Ordinary Share (pence)	5	(0.42)	(4.70)	(5.12)	4.58	11.59

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 22 to 29 form part of these financial statements.

Unaudited consolidated statement of changes in equity

For the six months to 30 June 2013 (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 2013		750	(28,896)	(1,385)	(4,955)	72,878	38,392
Gain/(loss) on investments	3	–	4	(2,615)	–	–	(2,611)
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(317)	–	(317)
Transaction charges for acquisition and disposal of investments		–	(10)	(9)	–	–	(19)
Loss on foreign currency		–	(375)	(517)	–	–	(892)
Balance as at 30 June 2013		**750**	**(29,277)**	**(4,526)**	**(5,272)**	**72,878**	**34,553**

For the six months to 30 June 2012 (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 2012		750	(24,031)	(15,426)	(4,474)	72,878	29,697
Gain/(loss) on investments	3	–	(2,020)	8,426	–	–	6,406
Revenue loss for the period after taxation (excluding foreign exchange losses)		–	–	–	(431)	–	(431)
Transaction charges for acquisition and disposal of investments		–	(30)	(49)	–	–	(79)
Loss on foreign currency		–	(952)	(1,511)	–	–	(2,463)
Balance as at 30 June 2012		**750**	**(27,033)**	**(8,560)**	**(4,905)**	**72,878**	**33,130**

The notes on pages 22 to 29 form part of these financial statements.

Unaudited consolidated statement of changes in equity (continued)

For the year ended 31 December 2012 (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 2012		750	(24,031)	(15,426)	(4,474)	72,878	29,697
(Loss)/gain on investments	3	–	(2,810)	14,794	–	–	11,984
Revenue loss for the year after taxation (excluding foreign exchange losses)		–	–	–	(481)	–	(481)
Transaction charges for acquisition and disposal of investments		–	(53)	(71)	–	–	(124)
Loss on foreign currency		–	(2,002)	(682)	–	–	(2,684)
Balance as at 31 December 2012		**750**	**(28,896)**	**(1,385)**	**(4,955)**	**72,878**	**38,392**

The notes on pages 22 to 29 form part of these financial statements.

India Capital Growth Fund

Unaudited consolidated statement of financial position

As at 30 June 2013

	NOTES	UNAUDITED 30.06.13 £000	UNAUDITED 30.06.12 £000	AUDITED 31.12.12 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	6	32,238	30,930	36,487
Current assets				
Cash and cash equivalents	1	2,254	2,036	2,020
Receivables	8	193	294	25
		2,447	2,330	2,045
Current liabilities				
Payables	9	(132)	(130)	(140)
Net current assets		2,315	2,200	1,905
Total assets less current liabilities		34,553	33,130	38,392
Equity				
Ordinary share capital	11	750	750	750
Reserves		33,803	32,380	37,642
Total equity		34,553	33,130	38,392
Number of Ordinary Shares in issue		**75,001,463**	**75,001,463**	**75,001,463**
Net Asset Value per Ordinary Share (pence)		**46.07**	**44.17**	**51.19**

The unaudited consolidated condensed financial statements on pages 17 to 29 were approved by the Board of Directors on 11 September 2013 and signed on its behalf by:

Fred Carr

Peter Niven

The notes on pages 22 to 29 form part of these financial statements.

Unaudited consolidated statement of cash flows

For the six months to 30 June 2013

	UNAUDITED SIX MONTHS TO 30.06.13 £000	UNAUDITED SIX MONTHS TO 30.06.12 £000	AUDITED YEAR TO 31.12.12 £000
Cash flows from operating activities			
Investment income	103	56	537
Management fee	(289)	(251)	(520)
Other cash payments	(212)	(160)	(308)
Net cash outflow from operating activities	**(398)**	**(355)**	**(291)**
Cash flows from investing activities			
Purchase of investments	(3,080)	(13,931)	(21,220)
Sale of investments	3,835	8,628	15,961
Transaction charges relating to the purchase and sale of investments	(19)	(79)	(124)
Net cash inflow/(outflow) from investing activities	**736**	**(5,382)**	**(5,383)**
Net increase/(decrease) in cash and cash equivalents during the period/year	338	(5,737)	(5,674)
Cash and cash equivalents at the start of the period/year	2,020	7,865	7,865
Exchange losses on cash and cash equivalents	(104)	(92)	(171)
Cash and cash equivalents at end of the period/year	**2,254**	**2,036**	**2,020**

The notes on pages 22 to 29 form part of these financial statements.

Notes to the unaudited consolidated condensed financial statements

For the six months to 30 June 2013

1. Accounting Policies

Basis of preparation

The unaudited interim consolidated condensed financial statements for the six months ended 30 June 2013 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, as adopted by the EU.

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 2012.

Basis of accounting

IFRS as adopted by the EU 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 2012.

Basis of consolidation

ICG Q Limited (the "Subsidiary") is consolidated in full from the date of acquisition, being the date on which the Group obtained control and will continue to do so until such control ceases. 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.

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

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

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these required disclosures will be included in the Company's 31 December 2013 Annual Report.

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

Foreign currency translation

The Company's shares are denominated in Sterling and the majority of its expenses are incurred in Sterling. Accordingly, the Board has determined that the functional currency for the Group is Sterling. Sterling is also the presentation currency of the financial statements.

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

Notes to the unaudited consolidated condensed financial statements (continued)

For the six months to 30 June 2013

1. Accounting Policies (continued)

Cash and cash equivalents

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

Standards, interpretations and amendments to published statements not yet effective

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

IFRS 10 - Consolidated Financial Statements, IAS 27 Separate Financial Statements and IFRS 12 - Disclosure of Interests in Other Entities - are effective for periods beginning on or after 1 January 2013. IFRS 10, IFRS 12 and IAS 27 have been endorsed in the EU for periods after 1 January 2014. The Board believe that these standards will not have a material impact on the financial statements of the Company.

IFRS 9 - Financial instruments is effective for the period beginning on or after 1 January 2015. 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. Significant accounting judgements, estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The main use of accounting estimates and assumptions occurs in the calculation of the sensitivity analysis.

The Company's valuation of the Group's one unlisted investment, CitiXsys, remains at nil which is consistent with the prior year.

Notes to the unaudited consolidated condensed financial statements (continued)

For the six months to 30 June 2013

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

	Unaudited Six months to 30.06.13 £000	Unaudited Six months to 30.06.12 £000	Audited Year to 31.12.12 £000
Realised loss			
Proceeds from sales of investments during the period/year	3,835	8,794	15,961
Original cost of investments sold during the period/year	(4,206)	(11,844)	(20,773)
Loss on investments sold during the period/year	(371)	(3,050)	(4,812)
Market gain/(loss)	4	(2,020)	(2,810)
Foreign exchange loss	(375)	(1,030)	(2,002)
Unrealised market gain/loss			
Previously recognised unrealised (loss)/gain now realised	(284)	(3,443)	5,688
Current period market (loss)/gain	(2,331)	11,869	9,106
Market (loss)/gain	(2,615)	8,426	14,794
Unrealised market (loss)/gain on listed securities	(2,615)	8,426	14,794
Unrealised market gain on unlisted securities	–	–	–
Unrealised foreign exchange loss			
Previously recognised unrealised foreign exchange gain/(loss) now realised	13,012	(1,257)	1,817
Current period foreign exchange loss	(13,529)	(254)	(2,499)
	(517)	(1,511)	(682)
Net (loss)/gain on financial assets at fair value through profit or loss	(3,503)	3,865	9,300

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

4. Other expenses

	Unaudited Six months to 30.06.13 £000	Unaudited Six months to 30.06.12 £000	Audited Year to 31.12.12 £000
Directors' fees (note 12)	47	47	94
D&O insurance	7	7	14
Administration and secretarial fees (note 12)	51	51	102
Audit fee	13	20	24
Custody fees	6	5	11
Other advisory services	30	35	66
General expenses	62	71	135
	216	236	446

5. (Loss)/earnings per share

Losses per Ordinary Share is calculated on the loss for the period of £3,822,000 (30.06.12 - profit of £3,433,000) divided by the weighted average number of shares of 75,001,463 (30.06.12 - 75,001,463).

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

	Listed £000	Unlisted £000	Unaudited Six months to 30.06.13 Total £000	Unaudited Six months to 30.06.12 Total £000	Audited Year to 31.12.12 Total £000
Cost at start of period/year	36,100	815	36,915	36,468	36,468
Purchases	3,089	–	3,089	13,931	21,220
Sales proceeds	(3,835)	–	(3,835)	(8,794)	(15,961)
Realised loss on sale of investments	(371)	–	(371)	(3,050)	(4,812)
Cost at end of period/year	34,983	815	35,798	38,555	36,915
Unrealised gain/(loss) on revaluation	1,772	(815)	957	(2,796)	3,572
Unrealised foreign exchange loss on revaluation	(4,517)	–	(4,517)	(4,829)	(4,000)
Fair value at end of period/year	**32,238**	**–**	**32,238**	**30,930**	**36,487**

Fair value of listed securities at end of the period/year	32,238	30,930	36,487
Fair value of unlisted securities at end of the period/year	–	–	–

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

7. Taxation

Guernsey

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

Mauritius

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

ICG Q Limited is subject to income tax in Mauritius on net income which excludes realised and unrealised capital gains and related expenditure at 15 per cent (30.06.12: 15 per cent). However, the company is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80 per cent of the Mauritius tax on foreign source income.

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

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

India

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

8. Receivables

	Unaudited 30.06.13 Total £000	Unaudited 30.06.12 Total £000	Audited 31.12.12 Total £000
Sales of investments awaiting settlement	–	165	–
Dividend receivable	164	95	–
Other receivables and prepayments	29	34	25
	193	294	25

9. Payables

	Unaudited 30.06.13 Total £000	Unaudited 30.06.12 Total £000	Audited 31.12.12 Total £000
Management fee	43	41	49
Trade payables	9	–	–
Other creditors	80	89	91
	132	130	140

India Capital Growth Fund

Notes to the unaudited consolidated condensed financial statements (continued)

For the six months to 30 June 2013

10. Segmental information

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Group's activities form a single segment under the standard. From a geographical perspective, the Group's investments are focused in a single area - India. Assessment of performance by the Board and investment decisions by the Investment Manager are made on the basis of the portfolio as a whole.

11. 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 2013		
At 31 December 2012	75,001,463	750

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

12. 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.

Directors' fees are disclosed fully in each Annual Report. The fee payable to the Chairman was £25,000 per annum for the Chairman, £19,000 per annum for the Chairman of the Audit Committee and £16,000 per annum to each other Director, except for Mr Vikram Kaushik who is entitled to £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 £282,000 in management fees during the six months ended 30 June 2013 (six months ended 30.06.12: £254,000) of which £43,000 was outstanding at 30 June 2013 (31.12.12: £49,000).

The Investment Manager is also entitled to receive a semi-annual performance related fee from the Company if the Net Asset Value per Share at the end of the half-year performance period (a) exceeds the Net Asset Value per Share at the start of the performance period by an annualised, annually compounded, rate of more than 10 per cent. (the "Performance Hurdle") and (b) exceeds by an annualised, annually compounded, rate of more than 10 per cent. of the highest previously recorded Net Asset Value per Ordinary 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 2013, the High Water Mark was 294.56 pence per Ordinary Share.

Notes to the unaudited consolidated condensed financial statements (continued)

For the six months to 30 June 2013

12. Related party transactions (continued)

The performance fee is an amount equal to 20 per cent. of the aggregate increase in the Net Asset Value above the High Water Mark. 50 per cent. of any performance fee payable (net of all attributable taxes) is required to be reinvested in Ordinary Shares purchased in the market (if Ordinary Shares are trading at a discount to NAV) or by subscription for new shares at NAV (if the Ordinary Shares are trading at a premium). No performance fee was paid in respect of the six months ended 30 June 2013 (30.06.12: £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 £51,000 for administration and secretarial services during the six months ended 30 June 2013 (30.06.12: £51,000) of which £19,000 was outstanding at 30 June 2013 (31.12.12: £19,000).

13. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2013 (31.12.12: Nil).

14. Subsequent events

These financial statements were approved for issuance by the Board on 11 September 2013. Subsequent events have been evaluated until this date.

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

India
Capital Growth Fund

India
Capital Growth Fund

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