India Capital Growth Fund

Interim report and unaudited condensed financial statements

For the period from 1 January 2014 to 30 June 2014

India Capital Growth Fund

Interim report and unaudited condensed financial statements

For the period from 1 January 2014 to 30 June 2014

Contents

Management and administration

Directors

Fred Carr (Chairman)
John Whittle
Peter Niven
Vikram Kaushik

Registered Office

1st Floor, Tudor House
Le Bordage
St. Peter Port
Guernsey GY1 1DB

Investment Manager

Ocean Dial Asset Management Limited
Cayzer House
30 Buckingham Gate
London SW1E 6NN

Administrator and Secretary

Apex Fund Services (Guernsey) Limited
1st Floor, Tudor House
Le Bordage
St. Peter Port
Guernsey GY1 1DB

Mauritian Administrator

Apex Fund Services (Mauritius) Limited
4th Floor, Raffles Tower
19 Cybercity
Ebene
Mauritius

Custodian

SBI- SG Global Securities Services Pvt. Ltd.
Corporation Limited
Jeevan Seva, Annexe
Ground Floor, S.V. Road
Santacruz (W)
Mumbai 400 054
India

Nominated Adviser

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrar

Capita IRG (CI) Limited
Longue Hougue House
St Sampson
Guernsey GY2 4JN

Independent Auditors

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St. Peter Port
Guernsey GY1 4AF

Chairman's statement

The first half of calendar year 2014 has been an exciting time for equity investors in India as the stock market's performance reflected greater macro-economic stability and a change of political leadership. After a prolonged period of slower growth, higher inflation, political and economic mismanagement under the Congress led coalition government, India went to the polls in May. The market correctly anticipated change for the better well in advance, but the outcome exceeded even the most positive of predictions, more of which later. Without question these events have caused a renewal of business and consumer confidence domestically and rekindled interest from overseas investors. This optimism has been captured in the performance of the Company's net asset value and share price; the NAV per share grew by 29.4% for the first six months of the year, whilst the share price rose 33.8%. Over the period the Rupee depreciated marginally (0.3%) against Sterling which, given the strength of the latter in recent months, clearly reflects the better light in which India is now perceived.

Economy and Politics

2014 started slowly as corporate investment planning and the Government bureaucracy came to a virtual standstill ahead of the General Election, but this changed overnight as the right of centre BJP, led by Narendra Modi, claimed a sweeping victory. Crucially the party defied pollsters' predictions by winning an absolute majority, meaning that for the first time in India's recent history, a pro-business Government has an absolute majority in Parliament. Whilst, the polling data indicated a workable victory for the BJP, the extent of the mandate delivered signalled the electorate's desire to move away from socialist politics riddled with corruption and towards transparency, accountability, job creation and growth. It was on this platform that the presidential styled campaign of Modi was built. Using his track record of 12 years of service as Chief Minister of the state of Gujarat, where his administration facilitated the delivery of over 10% GDP growth annually, the result has enthused the markets and led to expectations on delivery to soar.

Whilst this is clearly excellent news we should not underestimate the enormity of the challenge that lies before the new Government, nor the inevitability that markets run ahead of themselves. Progress will be made for sure, and India is in a better shape politically and economically than it has been for many years, but it will take time to effect meaningful change and there are countless vested interests that will hinder reform.

Initial signals are positive however. The incoming Government is leaner with overlapping ministries merging and bureaucratic red tape being cut. The Finance Minister's first budget emphasised the Government's commitment to fiscal prudence, to easing the delays to environmental clearance and facilitating infrastructure financing. The on-going delays to infrastructural development are the single biggest challenge to growth stability, and the leadership is right to prioritise this. This has also led to efforts taken to galvanise the bureaucracy, which had hitherto borne the brunt of the previous Government's corruption scandals, and thereby losing positive working relationships with their political masters. The feedback being received from corporate management shows a more proactive, accommodative and energised administration, keen on simplifying permits as well as cutting through red tape. This is an essential platform for big ticket reforms that the Government would like to announce with confidence that delivery would consequently follow.

Further positives can be drawn from the economic tailwind that has resulted both from the outgoing administration's emergency measures to avoid a sovereign downgrade, and the instalment of Dr. Raghuram Rajan as the Reserve Bank of India Governor in September 2013. The currency has stabilised since the excessive volatility of mid-2013, following the US Federal Reserve's announced intention to reduce the extent of their quantitative easing programme. Whilst monetary easing is not forecast before the end of 2014, inflation has started to soften, and we believe that the interest rate cycle may have peaked. Economic indicators are looking up; the index of industrial production (IIP) has been positive for three successive months up to June, car sales grew by 15% year on year in the same month, (a ten month high), and corporate mergers and acquisition activity picked up by 47% over the first half of 2014. Equity market fundraising and asset sales have also picked up, allowing corporates to deleverage their balance sheets and reduce stress on the banking sector's non-performing loans. These are promising signs but only the first steps towards improved economic growth and better corporate earnings.

The recent strong performance of the stock market indicates the extent to which investors' expectations have risen. Amidst all the noise, the portfolio manager has remained faithful to the investment philosophy of buying well managed businesses with strong balance sheets, and secular growth opportunities. Whilst this has caused a period of underperformance to the Company's notional benchmark of 10.1% over the period, this is not surprising. In the early stages of a stock market recovery it is often the poorer quality companies that run hardest, and thus a period of relative underperformance combined with healthy absolute returns should be expected. Your Board remains confident that the Manager's investment process will preserve capital in weak market periods whilst delivering absolute returns over the medium term. This is a good time to be invested in India.

Fred Carr | Chairman
25 September 2014

Investment Manager's report

Introduction

The first half of 2014 has been very positive for Indian equity markets with a broad based rally across stocks and sectors. While the broader Sensex increased 20.0% during the period, it was the mid-cap stocks that stole the show with the BSE Mid Cap Index rising 39.9%, whilst the fund also participated in this rally rising 29.4% over the period.

Most Emerging Markets also recorded a good performance, driven by global liquidity and easing concerns of a sudden withdrawal of quantitative easing measures by the US Federal Reserve. India however stood out, not just outperforming most markets, but also attracting a disproportionate share of global fund flows.

Chart 1: Net equity flows (US$bn)

Economy & Outlook

The driver behind the market rally has been the surprise election results in May 2014. While it was widely anticipated that the BJP led National Democratic Alliance (NDA) would win a majority, the fact the BJP itself was able to do so without the need for coalition support was the real game changer. This is the first time in 30 years that there is a single party with majority forming the Government. The implications are far reaching, as it means that the BJP has a free hand in taking decisions without pandering to the narrow interest of its political partners. Moreover, not only is the BJP known to be pro-industry, but Mr. Narendra Modi, its prime ministerial candidate is known to be decisive, as demonstrated by the strong track record in the state of Gujarat where he had been Chief Minister for three successive terms. The new Government has also been speaking the right language; focus on development, transparency, easing of rules etc. This has not just improved confidence levels within the industry but also consumer sentiment.

While this does provide a lot of hope on the future, the new Government is also inheriting an economy which is on the mend; economic growth rates have bottomed out. The Cabinet Committee of Investments, which was formed in the second half of 2013 to kick start large projects that were stuck due to delays in approvals, has already approved 155 projects worth US$92bn. Inflation too has come off from the peak levels of 11% for most of 2013 to 8% levels. This is largely because of the high base effect but also due to a conscious effort by the Government to rein in inflation by cutting expenditure, restricting increases in agricultural support price increases to 2%-3% (vs. an average of 10% p.a. during the last 10 years) as well limiting wage hikes for rural employment guarantee schemes to nominal increases only.

Finally, Dr. Raghuram Rajan, the Governor of the RBI who was appointed in September 2013, has helped to bring down the current account deficit to 1.7% of GDP in FY14 vs. 4.7% in FY13, through his swift move to curb gold imports (also helped by a decline in oil imports due to weak economic growth). This has helped increase the foreign exchange reserves to US$320bn at present from a low of US$275bn in September 2013. The currency has thus stabilized in the range of INR60-62 to the US$, with low volatility bringing relief to both exporters and importers.

Conclusion

In the first half of 2014 the economy has stabilised with an improving trend in all the key economic indicators; current account deficit, inflation, fiscal deficit and the currency. A recovery in economic growth however still remains elusive, although we believe that this process has started, and with a stable Government and improving levels of confidence, it is surely only a matter of time before investment activity starts. The new Government's short term focus appears to be on ensuring that those infrastructure projects already approved proceed to the investment stage, while the long term focus will be to ensure that the policy framework and bureaucratic process are seamless, clear-cut and completed with minimal Governmental interference. This is essential for building investor confidence and thus sustainable growth. The short term challenge remains to bring down inflation sustainably so that the interest rates can fall. This will provide the long awaited impetus to growth, the next trigger for driving the economy and markets.

Portfolio Construction and Attribution

The portfolio of investments are held by the Company's Mauritian subsidiary, ICG Q Limied (the "portfolio"). During the first half of the year the Manager focused on meeting corporate executives, particularly in sectors linked directly to investment cycles such as infrastructure, industrial and capital goods to gauge the extent of the investment paralysis. Towards the latter half of 2013 it was apparent that the slowdown in capital spending was also impacting consumption; consumer related companies reported volume growth rates falling to single digit growth. Thus the first priority for the new Government was to create a business environment commensurate for a revival of confidence and thus capital expenditure.

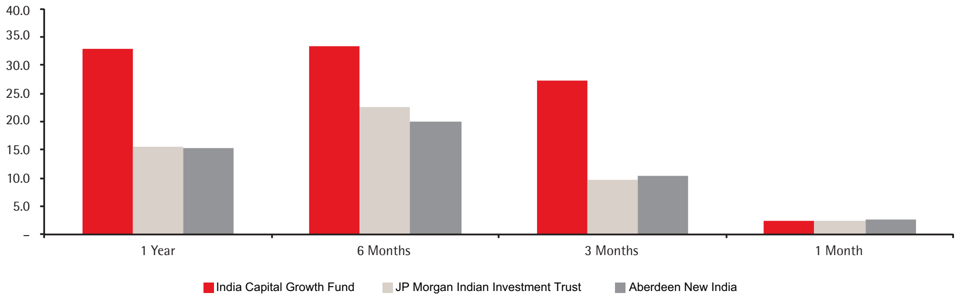
As the likely election outcome became more visible, several changes were made to the portfolio to better align it to a recovery in capital expenditure. Positions were taken in Finolex Cables, (India's largest electrical and telecom cable company), Exide Industries (India's largest automotive and industrial battery company), and Gujarat Pipavav Port (an AP Mollar - Maersk Group company). Power Finance Company, government owned and specializing in power finance was also added. These are all companies that are positively leveraged to a recovery in the investment cycle. In addition the Manager initiated a holding in Balkrishna Industries (a niche exporter of off-road tyres to Europe and the United States) and Ajanta Pharmaceuticals (a niche healthcare company with commercial activity in both India and Europe). These are two high quality businesses whose profits are expected to compound over the longer term.

In order to fund these changes the Company's holdings in Telecoms (Idea Cellular) and Energy (Cairn India) were realised and some profits were also booked in Kajaria Ceramics (a manufacturer of ceramic and vitrified tiles), Lupin (pharmaceuticals), and Voltas (which manufactures air-conditioning units). Finally, the Company's position in Sobha Developers (a real estate company and a long term holding in the portfolio), was also trimmed. The portfolio's exposure to the financial services sector was maintained in expectation of an improving business environment and lower interest rates.

The decision to tilt the portfolio's bias towards companies better exposed to a cyclical recovery was well rewarded. The Net Asset Value of the company rose 29.4% over the period in question. This compares to BSE Midcap index which rose 39.9%, and the Manager's Composite Index, which rallied 35.2%, all measured in local currency terms.

It is somewhat disappointing that the increase in the net asset value underperformed the mid cap indices, but it should be noted that the portfolio comfortably outperformed its peer group and the main board stock index, the BSE Sensex, which rose 20% during the period. The main reason for this under-performance versus the mid cap index was the portfolio's lack of direct exposure to pure infrastructure players, industrials and the public sector banks. Although stocks in these specific areas increased multifold over the period, the Manager viewed the embedded risks here as substantially higher than is necessary to meet the investment process. Thus the preference has been to invest in companies which are indirect beneficiaries of an investment led recovery, but with strong balance sheets and proven management quality. Exposure to the consumer and healthcare sectors was also maintained.

Chart 2: India Capital Growth Fund share price performance v peers to 30 June 2014 (%)



Source: Bloomberg

Stocks which contributed positively to the increase in the net asset value were Motherson Sumi Systems (4.0% weight) up 78%, Federal Bank (5.4% weight) up 59%, Kajaria Ceramics (3.9% weight) up 70%, Dewan Housing (4.5% weight) up 73% and Voltas (2.5% weight) up 88%. Among the negative contributors was Idea Cellular which fell 22% and Jyothy Laboratories (a 3.5% weight) which fell 9%.

Top 10 Holdings at 30 June 2014

Federal Bank (5.4% 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 (small and medium enterprises) and retail segments (30% each of the loan book). 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 2014, the stock trades at a price to projected FY15 earnings ratio of 11.7x and 1.5x projected FY15 book value.

Dewan Housing Finance Corporation (4.5% of the portfolio)

Dewan Housing (DHFL) is the third largest private sector Housing Finance Company in India. It was established in 1984 and over the last 25 years, it has concentrated on the low to middle income segment by providing finance to low cost houses. In 2010, DHFL complemented its existing business by acquiring First Blue Home Finance, a company strong in Northern region and which concentrates on the mass affluent segment. We are extremely positive on the long term prospects of housing finance in India. Based on the closing market price on 30 June 2014, the stock trades at a price to projected FY15 earnings ratio of 7.4x and 1.1x projected FY15 book value.

Tech Mahindra (4.0% of the portfolio)

Tech Mahindra is a leading IT offshoring company with FY14 revenues of US$3.1bn and over 89,000 employees. It was set up as Joint Venture between Mahindra & Mahindra and BT, with a focus on the telecom sector. Other than telecoms, the integrated entity has a sizeable IT services presence in banking, manufacturing verticals and enterprise applications. Based on the closing market price on 30 June 2014, the stock trades at a price to projected FY15 earnings ratio of 15.3x.

Motherson Sumi Systems (4.0% of the portfolio)

Motherson Sumi Systems (MSS) was established in 1986 as a Joint Venture with Sumitomo Wiring Systems, Japan for supply of wiring harnesses to Maruti Suzuki. MSS acquired Visiocorp (2009) and Peguform (2011), expanding its global presence and becoming a Tier-I supplier of automotive components to major global OEMs. It is now one of the largest manufacturers of rear-view mirrors and polymer components for passenger cars in the world. The company has been able to turn around both the subsidiaries and with rising margins, earnings growth is outpacing revenue growth. Based on the closing price on 30 June 2014, the stock trades at a price to projected FY15 earnings ratio of 22.2x.

Kajaria Ceramics (3.9% of the portfolio)

Kajaria is the second largest tile manufacturer in India and a leader in North India. Market dynamics are favourable with the tile market having grown at a CAGR of 15%-16% in last five years. Kajaria has industry-leading margins due to low proportion of imports, higher sales to retail, and superior product mix. It has increasingly been using a Joint Venture model to enhance its geographical footprint, which should fuel growth and improve ROCE. Based on the closing price on 30 June 2014 the stock trades at a price to projected FY15 earnings ratio of 25.6x.

KPIT Technologies (3.6% of the portfolio)
KPIT is a mid-sized Indian IT services company operating in the Automotive, Manufacturing and Energy & Utilities verticals. It has strong automotive engineering, Oracle and SAP practices. It has developed capabilities through in-house research and acquisitions (10 over the last 10 years). Its relationship with Cummins Inc. (strategic investor and top client) has provided KPIT the engineering know-how to pitch on to other manufacturing clients. 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. Based on the closing price on 30 June 2014 the stock trades at a price to projected FY15 earnings ratio of 10.7x.

Jyothy Laboratories (3.5% of the portfolio)
Jyothy manufactures fabric care, mosquito repellents and dish washing soaps categories under the Ujala, Maxo and Exo brands respectively. It further enhanced its product basket with the acquisition of Henkel India in June 2011, acquiring brands in the detergents, toothpaste, soaps, and dishwash and deodorants sectors. Since the acquisition, Jyothy has been able to successfully integrated the operations of Henkel and 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 2014, the stock trades at a price to projected FY15 earnings ratio of 18.9x.

Eicher Motors Ltd (3.4% of the portfolio)
Eicher Motors Ltd, incorporated in 1982, is the flagship company of the Eicher Group in India and a leading player in the Indian automobile industry. Its joint venture with the Volvo group, VE Commercial Vehicles Limited, designs, manufactures and markets reliable, fuel-efficient commercial vehicles of high quality and modern technology, engineering components and provides engineering design solutions. Eicher Motors manufactures and markets the iconic Royal Enfield motorcycles. Based on the closing market price on 30 June 2014, the stock trades at a price to projected CY2014 earnings ratio of 33.6x.

Yes Bank Limited (3.2% of the portfolio)
Yes Bank is a new-generation private-sector bank. Having expanded to over 350 retail branches, the bank is focusing on building a strong retail franchise with a target to have 30% of its assets and deposits coming from retail consumers. The Bank has consistently delivered high shareholder returns during last five years with RoE greater than 20% and RoA in the range of 1.3% to 1.5%. We see this trend continuing as it builds it retail franchise. It has also maintained best-in-class asset quality on account of better asset acquisition. Based on the closing market price on 30 June 2014, the stock trades at a price to projected FY15 earnings ratio of 10.4x and 2.1x projected FY15 book value.

Divi's Laboratories Ltd (3.1% of the portfolio)
Divi's Labs provides contract research and manufacturing services to the global pharmaceutical industry. It does not develop or market any final product of its own, but manufactures and supplies key ingredients to front-end pharmaceutical companies, who in turn formulate and market them to the final consumers. The company undertakes custom manufacture of active product ingredients for innovator companies and to generic companies where it benefits from strong economies of scale. Divi's selects products with complex chemistry, develops proprietary, efficient processes to manufacture them and tries to capture a large share of the global market for products where it can control pricing. Based on the closing market price on 30 June 2014, the stock trades at a price to projected FY15 earnings ratio of 20.9x.

Ocean Dial Asset Management
25 September 2014

Directors' report

The Directors present their interim report and the unaudited condensed financial statements of the Company for the period from 1 January 2014 to 30 June 2014.

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 2014, the Company had one wholly owned Mauritian subsidiary, ICG Q Limited. 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 in companies based in India via its wholly-owned subsidiary. The investment policy permits the Company to make indirect 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 Company's performance during the period is discussed in the Investment Manager's Report on pages 5 to 8.

The results for the period are set out in the unaudited statement of comprehensive income on page 15.

The Directors do not recommend the payment of a dividend for the period ended 30 June 2014.

Ongoing Charges

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the Ongoing Charges Figure ("OCF") of the Company and its wholly owned subsidiary, ICG Q Limited, for the period ended 30 June 2014 was 2.86 per cent (30.06.2013: 2.66 per cent). No performance fees were charged during the period.

Substantial interests

Shareholders who at 30 June 2014 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
Lazard Asset Management	12,911,540	17.22
Advance Emerging Capital	8,020,473	10.75
1607 Capital Partners	7,000,000	9.38
Rathbones	5,227,127	7.01
Sofina SA	5,000,000	6.70
Gramercy	4,335,000	5.81
Miton Asset Management	3,850,000	5.13
Henderson Global Investors	2,900,000	3.89
Lombos Limited	2,710,000	3.63

Directors' report (continued)

At 30 June 2014, the Investment Manager, Ocean Dial Asset Management Limited, and connected persons (not elsewhere disclosed) held in aggregate 622,581 ordinary shares (0.83%) in the Company.

Directors

The names of the Directors of the Company, all of whom were in office for the entire period and subsequent to the date of this report, are set out on page 1. In addition, Mr James Cayzer-Colvin was a director until 29 May 2014 when he stepped down from the Board.

Directors' interests

At 30 June 2014, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary Shares
Fred Carr	130,000
Peter Niven	25,000
John Whittle	20,000

Interim Results Review

No interim audit has been performed on the Company's interim results for the period to 30 June 2014. 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 a review of the reported figures on the condensed set of financial statements has not been performed.

Change in administrator and secretary

Effective 1 January 2014, Northern Trust International Fund Administration Services (Guernsey) Limited resigned as administrator and secretary of the Company and was replaced by Apex Fund Services (Guernsey) Limited.

Approved by the Board of Directors and signed on behalf of the Board on 25 September 2014.

Peter Niven

John Whittle

Statement of Directors' Responsibilities in respect of the Interim Unaudited Condensed Financial Statements

The Directors are responsible for preparing the Directors' Report and the Condensed Financial Statements in accordance with applicable laws.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Consolidated Financial Statements in conformity with International Financial Reporting Standards ("IFRS"), as adopted by the EU and applicable law.

The Condensed Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Condensed Financial Statements the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Condensed Financial Statements; and
- prepare the Condensed Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Consolidated Financial Statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

We confirm to the best of our knowledge that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information; and
- these Condensed Financial Statements have been prepared in conformity with IFRS as adopted by the EU and give a true and fair view of the financial position of the Company.

Signed on behalf of the Board by:

Peter Niven

John Whittle

25 September 2014

Principal investments

As at 30 June 2014

HOLDING	TYPE	SECTOR	VALUE £000's	% OF COMPANY NAV
Federal Bank	Mid Cap	Financials	2,445	5.42
Dewan Housing	Small Cap	Financials	2,022	4.49
Tech Mahindra	Large Cap	IT	1,809	4.01
Motherson Sumi Systems	Large Cap	Consumer Discretionary	1,807	4.01
Kajaria Ceramics	Small Cap	Industrials	1,755	3.89
KPIT Cummins Infosystems	Small Cap	IT	1,620	3.59
Jyothy Laboratories	Small Cap	Consumer Staples	1,576	3.50
Eicher Motors	Mid Cap	Industrials	1,553	3.44
Yes Bank	Mid Cap	Financials	1,428	3.17
Divi's Laboratories	Mid Cap	Healthcare	1,391	3.09
Total top 10 equity investments			**17,406**	**38.61**
Other Small Cap	(9 companies)		8,023	17.80
Other Mid Cap	(12 companies)		12,598	27.95
Other Large Cap	(5 companies)		4,958	11.00
Other Unlisted	(1 company)		–	–
Total equity investments			**42,985**	**95.36**
Cash plus other net current assets – Company			(177)	(0.39)
Cash plus other net current assets – ICG Q Limited (subsidiary)			2,272	5.03
Total Portfolio			**45,080**	**100.00**

Note:
Large Cap comprises companies with a market capitalisation above INR 250 billion (£2.4 billion)
Mid Cap comprises companies with a market capitalisation between INR 60 billion and INR 250 billion (£584 million - £2.4 billion)
Small Cap comprises companies with a market capitalisation below INR 60 billion (£584 million)
The information above relates to the investment portfolio held by ICG Q Limited, the Company's wholly owned subsidiary.

Portfolio statement

As at 30 June 2014

HOLDING	NOMINAL	VALUE £000's	% OF COMPANY NAV
Listed Securities			
Consumer discretionary			
Dish TV India	1,783,212	1,237	2.75
Motherson Sumi Systems	740,250	1,807	4.01
		3,044	6.76
Consumer staples			
Dabur India	387,640	710	1.57
Emami Limited	240,000	1,191	2.65
Jyothy Laboratories	939,831	1,576	3.50
Radico Khaitan	424,218	471	1.05
		3,948	8.77
Financials			
Arihant Foundations & Housing	592,400	255	0.57
Dewan Housing Finance Corporation	570,890	2,024	4.49
Federal Bank	1,871,250	2,445	5.42
Indian Bank	688,913	1,238	2.75
Indusind Bank	222,000	1,240	2.75
The Jammu & Kashmir Bank	87,500	1,336	2.96
Power Finance	250,000	750	1.66
Sobha Developers	277,398	1,349	2.99
Yes Bank	270,000	1,428	3.17
		12,065	26.76
Healthcare			
Ajanta Pharma	18,386	295	0.65
Divi's Laboratories	97,550	1,391	3.09
IPCA Laboratories	152,175	1,305	2.89
Lupin Limited	110,000	1,127	2.50
		4,118	9.13
Industrials			
Balkrishna	83,274	614	1.36
Eicher Motors	19,872	1,553	3.44
Exide	449,186	637	1.41
Finolex Cables	486,201	854	1.89
Gujarat Pipavav	871,442	997	2.21
Jain Irrigation Systems	1,013,293	1,185	2.63
Kajaria Ceramics	338,936	1,755	3.89
Larsen & Toubro	68,000	1,131	2.51
Max India	440,000	1,239	2.75
Voltas	530,000	1,129	2.50
		11,094	24.59

India Capital Growth Fund

Portfolio statement (continued)

As at 30 June 2014

HOLDING	NOMINAL	VALUE £000's	% OF COMPANY NAV
IT			
KPIT Cummins Infosystems	961,278	1,620	3.59
Mindtree Consulting	70,017	602	1.35
NIT Technologies	314,723	1,363	3.03
Tech Mahindra	86,000	1,808	4.01
		5,393	11.98
Materials			
Berger Paints India	400,000	1,134	2.52
P.I. Industries	383,505	1,254	2.78
The Ramco Cements	329,417	935	2.07
		3,323	7.37
Total listed securities		**42,985**	**95.36**
Unlisted Securities			
IT			
CitiXsys Technologies	817,650	–	–
Total unlisted securities		**–**	**–**
Total investments		**42,985**	**95.36**
Cash plus other net current assets – ICG Q Limited (Subsidiary)		2,272	5.03
Cash plus other net current assets – Company		(177)	(0.39)
Total Portfolio		**45,080**	**100.00**

The information above relates to the investment portfolio held by ICG Q Limited, the Company's wholly owned subsidiary.

Unaudited statement of comprehensive income

For the six months to 30 June 2014

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED SIX MONTHS TO 30.06.14 TOTAL £000	UNAUDITED SIX MONTHS TO 30.06.13 RESTATED TOTAL £000	AUDITED YEAR TO 31.12.13 RESTATED TOTAL £000
Income						
Other income		–	–	–	–	–
		–	–	–	–	–
Net gains/(losses) on financial asset at fair value through profit or loss						
Market movements	3	–	10,508	10,508	(3,670)	(3,113)
Foreign exchange movements	3	–	–	–	–	–
		–	**10,508**	**10,508**	**(3,670)**	**(3,113)**
Total income/(expense)		–	**10,508**	**10,508**	**(3,670)**	**(3,113)**
Expenses						
Management fee	12	(13)	–	(13)	6	4
Other professional fees		(107)	–	(107)	–	(72)
Other expenses	4	(161)	–	(161)	(175)	(358)
Total expenses		**(281)**	–	**(281)**	**(169)**	**(426)**
Profit/(loss)for the period/year before taxation		(281)	10,508	10,227	(3,839)	(3,539)
Taxation	7	–	–	–	–	–
Profit/(loss) for the period/year after taxation		**(281)**	**10,508**	**10,227**	**(3,839)**	**(3,539)**
Earnings/(loss) per Ordinary Share (pence)	5	(0.37)	14.01	13.64	(5.12)	(4.72)

The total column of this statement represents the Company'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 19 to 28 form part of these financial statements.

Unaudited statement of changes in equity

For the six months to 30 June 2014 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2014		750	(30,591)	(8,156)	72,850	34,853
Gain on investments	5	–	10,508	–	–	10,508
Revenue loss for the period after taxation		–	–	(281)	–	(281)
Balance as at 30 June 2014		**750**	**(20,083)**	**(8,437)**	**72,850**	**45,080**

For the six months to 30 June 2013 (unaudited and restated)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2013 (as previously stated)		750	(30,281)	(4,955)	72,878	38,392
Restatement due to change in accounting policy		–	2,803	(2,775)	(28)	–
Balance as at 1 January 2013 (as restated)		750	(24,478)	(7,730)	72,850	38,392
Loss on investments	5	–	(3,670)	–	–	(3,670)
Revenue loss for the period after taxation		–	–	(169)	–	(169)
Balance as at 30 June 2013		**750**	**(31,148)**	**(7,899)**	**72,850**	**34,553**

For the year ended 31 December 2013 (audited and restated)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2013 (as previously stated)		750	(30,281)	(4,955)	72,878	38,392
Restatement due to change in accounting policy		–	2,803	(2,775)	(28)	–
Balance as at 1 January 2013 (as restated)		750	(24,478)	(7,730)	72,850	38,392
Loss on investments	5	–	(3,113)	–	–	(3,113)
Revenue loss for the year after taxation		–	–	(426)	–	(426)
Balance as at 31 December 2013		**750**	**(30,591)**	**(8,156)**	**72,850**	**34,853**

The notes on pages 19 to 28 form part of these financial statements.

Unaudited statement of financial position

As at 30 June 2014

	NOTES	UNAUDITED 30.06.14 £000	UNAUDITED 30.06.13 RESTATED £000	AUDITED 31.12.13 RESTATED £000
Non-current assets				
Financial asset designated at fair value through profit or loss	6	45,257	34,536	34,973
Current assets				
Cash and cash equivalents	1	58	110	61
Receivables	8	14	23	15
		72	133	76
Current liabilities				
Payables	9	(249)	(116)	(196)
Net current (liabilities)/assets		(177)	17	(120)
Total assets less current liabilities		45,080	34,553	34,853
Equity				
Ordinary share capital	11	750	750	750
Reserves		44,330	33,803	34,103
Total equity		45,080	34,553	34,853
Number of Ordinary Shares in issue		**75,001,463**	**75,001,463**	**75,001,463**
Net Asset Value per Ordinary Share (pence)		**60.11**	**46.07**	**46.47**

The unaudited condensed financial statements on pages 15 to 28 were approved by the Board of Directors on 25 September 2014 and signed on its behalf by:

Peter Niven

John Whittle

The notes on pages 19 to 28 form part of these financial statements.

Unaudited statement of cash flows

For the six months to 30 June 2014

	UNAUDITED SIX MONTHS TO 30.06.14 £000	UNAUDITED SIX MONTHS TO 30.06.13 RESTATED £000	AUDITED YEAR TO 31.12.13 RESTATED £000
Cash flows from operating activities			
Management fee	–	–	–
Other cash payments	(228)	(183)	(352)
Net cash outflow from operating activities	**(228)**	**(183)**	**(352)**
Cash flows from investing activities			
Purchase of investments	–	–	–
Sale of investments	225	260	380
Transaction charges relating to the purchase and sale of investments	–	–	–
Net cash inflow from investing activities	**225**	**260**	**380**
Net (decrease)/increase in cash and cash equivalents during the period/year	(3)	77	28
Cash and cash equivalents at the start of the period/year	61	33	33
Exchange losses on cash and cash equivalents	–	–	–
Cash and cash equivalents at end of the period/year	**58**	**110**	**61**

The notes on pages 19 to 28 form part of these financial statements.

Notes to the unaudited condensed financial statements

For the six months to 30 June 2014

1. Accounting Policies

Basis of preparation

The unaudited interim condensed financial statements for the six months ended 30 June 2014 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Company's investment to fair value and in accordance with IAS 34: Interim Financial Reporting, as adopted by the EU.

The unaudited interim 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 Company's financial statements as at 31 December 2013.

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 the Company's unlisted investment. 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.

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 2013, except as disclosed below.

Impact of IFRS 10 'Consolidated Financial Statements'

As set out under IFRS 10, a parent entity that qualifies as an investment entity need not consolidate its subsidiaries. The Company meets all the following criteria to qualify as an investment entity:-

(i) Obtaining funds from one or more investors for the purpose of providing those investors with investment management services - the Board of Directors of the Company has delegated this function to its investment manager, Ocean Dial Asset Management Limited;

(ii) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both - funds are invested in ICG Q Limited for the sole purpose of achieving capital appreciation via further placements in Indian listed securities; and

(iii) Measures and evaluates the performance of substantially all of its investments on a fair value basis - on a monthly basis, the Company's investment in ICG Q Limited is revalued at the prevailing Net Asset Value at the corresponding valuation date.

On the basis of the above, these unaudited condensed financial statements represent the stand-alone figures of the Company. All comparative figures for the period ended 30 June 2013 and year ended 31 December 2013 have been restated to represent Company figures instead of consolidated figures. However, despite this restatement, the net asset value and aggregate reserves remain unchanged. The restatement has resulted in a reclassification between capital and revenue reserves and income and expenses in the statement of comprehensive income.

1. Accounting Policies (continued)

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 entitlement is established.

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.

Investment

The Company's investment is designated at fair value through profit or loss at the time of acquisition. It is initially recognised at fair value, being the cost incurred at 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.

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

Purchases and sales are recognised on the trade date - the date on which the Company commits to purchase or sell the investment.

The financial asset is derecognised when the rights to receive cash flows from the investment have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, the financial asset at fair value through profit or loss is measured at fair value. Gains and losses arising from changes in the fair value of the financial asset at fair value through profit or loss is presented in the statement of comprehensive income within net changes in fair value of financial asset at fair value through profit or loss in which they arise.

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 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 statement of comprehensive income.

Notes to the unaudited condensed financial statements (continued)

For the six months to 30 June 2014

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 Company's operations. Equally, certain interpretations to existing standards which are not yet effective are equally not relevant to the Company'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 9 - Financial instruments is effective for periods beginning on or after 1 January 2018

IFRS 15 - Revenue from contracts with customers beginning on or after 1 January 2017

The Board has not yet assessed the impact of these standards as they have been recently published. The Directors believe that other pronouncements which are in issue but not yet operative or adopted by the Company 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 Company 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 valuation of the Company's sole unlisted investment and the calculation of the sensitivity analysis.

3. Other expenses

	Unaudited Six months to 30.06.14 £000	Unaudited Six months to 30.06.13 Restated £000	Audited Year to 31.12.13 Restated £000
Directors' fees (note 12)	47	47	94
D&O insurance	3	7	14
Administration and secretarial fees (note 12)	12	38	75
Audit fee	7	9	16
Other advisory services	–	10	20
General expenses	92	64	139
	161	175	358

4. Earnings per share

Earnings per Ordinary Share is calculated on the profit for the period of £10,227,000 (30.06.13 - loss of £3,839,000) divided by the weighted average number of shares of 75,001,463 (30.06.13 - 75,001,463).

Notes to the unaudited condensed financial statements (continued)

For the six months to 30 June 2014

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

Investment in Subsidiary

	Unlisted £000	Unaudited Six months to 30.06.14 Total £000	Unaudited Six months to 30.06.13 Restated Total £000	Audited Year to 31.12.13 Restated Total £000
At start of period/year	34,973	34,973	36,466	36,466
Purchases	–	–	–	–
Sales proceeds	(224)	(224)	(260)	(380)
Realised gain/(loss) on sale of investments	10	10	(177)	(355)
At end of period/year	34,759	34,759	38,029	37,731
Movement in unrealised gain/(loss) on revaluation	10,498	10,498	(3,493)	(2,758)
Movement in unrealised foreign exchange gain/(loss) on revaluation	–	–	–	–
Fair value at end of period/year	**45,257**	**45,257**	**34,536**	**34,973**

Fair value of listed securities at end of the period/year	–	–	–
Fair value of unlisted securities at end of the period/year	45,257	34,536	34,973

The equity investment represents ICG Q Limited, the Company's wholly owned subsidiary, and surplus cash is held with the Custodian.

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.

For the period ended 30 June 2014, the Company had a tax liability of £ Nil (period ended 30 June 2013: £ Nil).

7. Receivables

	Unaudited 30.06.14 Total £000	Unaudited 30.06.13 Total Restated £000	Audited 31.12.13 Total Restated £000
Other receivables and prepayments	14	23	15
	14	23	15

India Capital Growth Fund

Notes to the unaudited condensed financial statements (continued)

For the six months to 30 June 2014

8. Payables

	Unaudited 30.06.14 Total £000	Unaudited 30.06.13 Total Restated £000	Audited 31.12.13 Total Restated £000
Management fee	58	43	44
Other creditors	191	73	152
	249	116	196

9. Segmental information

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Company's activities form a single segment under the standard. From a geographical perspective, the Company's activities 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. An analysis of the investments between listed and unlisted is however provided in note 5 as required by the Statement of Recommended Practice (SORP) for Investment Trusts issued by the AIC.

10. 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 2014		
At 31 December 2013	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.

11. 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 and have overall responsibility for the Company'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 Total Assets, calculated and payable monthly in arrears. The Investment Manager earned £244,000 in management fees during the six months ended 30 June 2014 (six months ended 30.06.13: £282,000) of which £58,000 was outstanding at 30 June 2014 (30.06.13: £43,000) and of which £13,000 (30.06.13: (£6,000)) was charged/(credited) by the Company.

In June 2014, a Supplement to the Investment Management Agreement dated 16 December 2005 was executed between the Investment Manager, the Company and ICG Q Limited such that the Investment Manager is not entitled to any performance-related fees with effect from 1 January 2014.

Under the terms of the Administration Agreement, Apex Fund Services (Guernsey) Limited is entitled to a minimum annual fee of US$41,000 or a flat fee of 5 basis points of the NAV of the Company, whichever is greater. The Administrator is also entitled to reimbursement of all out of pocket expenses recoverable by way of a fixed disbursement charge of US$50 per month excluding all international calls and courier. The Administrator earned £27,000 for administration and secretarial services during the six months ended 30 June 2014 (Due to Northern Trust as at 30.06.13: £51,000) of which £4,300 was outstanding at 30 June 2014 (Due to Northern Trust as at 30.06.13: £19,000).

12. Fair value of financial instrument

The following tables shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The analysis as at 30 June 2014 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	–	–	–	–
Unlisted securities	–	45,257	–	45,257
	–	45,257	–	45,257

The analysis as at 30 June 2013 is as follows (restated):

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	–	–	–	–
Unlisted securities	–	34,536	–	34,536
	–	34,536	–	34,536

The Company's investment in ICG Q Limited, the Company's wholly owned subsidiary is priced based on the subsidiary's net asset value as calculated as at the reporting date. The company has the ability to redeem its investment in ICG Q Limited at the net asset value at the measurement date therefore this is categorised as level 2. The classification within the hierarchy does not necessarily correspond to the Investment Manager's perceived risk of the investment, nor the level of the investments held within the subsidiary. All the underlying investments of ICGQ Limited are categorised as level 1 except for the subsidiary's investment in CitiXsys Technologies Private Limited valued at £Nil (2013: £Nil) which is classified under Level 3. The period-end fair value of those investments, together with cash held in ICG Q Limited, comprise all but an insignificant proportion of the net asset value of the subsidiary.

13. Financial instruments and risk profile

The primary objective of India Capital Growth Fund Limited is to provide long-term capital appreciation by investing predominantly in companies based in India. The investment policy permits making investments in a range of equity and equity linked securities of such companies. ICG Q Limited's portfolio of investments is predominantly in listed mid and small cap Indian companies and a smaller proportion in unlisted Indian companies. While the principal focus is on investments in listed equity securities or equity-linked securities, ICG Q Limited has the flexibility to invest in bonds, convertibles and other type of securities.

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. The Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to exercise such powers. In the period ended 30 June 2014, the Board determined that it was inappropriate to exercise such powers, although continuation of these powers will be sought at the Annual General Meeting. The Board also considers from time to time whether it may be appropriate to raise new capital by a further issue of shares. The raising of new capital would however be dependent on there being genuine market demand.

The Company holds a single investment in ICG Q Limited, which holds an underlying portfolio of 37 equity instruments based in India. Below is an assessment of the various risks the Company may be exposed to via ICG Q Limited.

Market price risk

Market price risk arises mainly from the uncertainty about future prices of the financial instrument held by ICG Q Limited. It represents the potential loss ICG Q Limited may suffer through holding market positions in the face of price movements.

ICG Q Limited's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies and in adherence to the investment guidelines and the investment and borrowing powers set out in the Admission Document. ICG Q Limited's investment portfolio is concentrated and, as at 30 June 2014, comprised investment in 37 companies. ICG Q Limited thus has higher exposure to market risk in relation to individual stocks than more broadly spread portfolios.

ICG Q Limited's portfolio consists mainly of mid and small cap listed Indian securities, and thus the effect of market movements is not closely correlated with the principal market index, the BSE Sensex. The BSE Mid-Cap Index provides a better (but not ideal) indicator of the effect of market price risk on the portfolio. Assuming perfect correlation the sensitivity of ICG Q Limited to market price risk can be approximated by applying the percentage of funds invested (30.06.14: 95.33%; 31.12.13: 96.74%) to any movement in the BSE Mid-Cap Index. At 30 June 2014, with all other variables held constant, this approximation would produce a movement in the net assets of ICG Q Limited of £4,299,000 (31.12.13: £3,372,000) for a 10% (31.12.13: 10%) movement in the index which would impact the Company via a fair value movement of the same magnitude in its holding in ICG Q Limited.

13. Financial instruments and risk profile (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the financial instruments held by ICG Q Limited will fluctuate because of changes in foreign exchange rates. ICG Q Limited's portfolio comprises predominantly Rupee denominated investments but reporting, and in particular the reported Net Asset Value, is denominated in Sterling. Any appreciation or depreciation in the Rupee would have an impact on the performance of the Group. The underlying currency risk in relation to ICG Q Limited's investments is the Rupee. ICG Q Limited's policy is not to hedge the Rupee exposure.

ICG Q Limited may enter into currency hedging transactions but appropriate mechanisms on acceptable terms are not expected to be readily available.

At 30 June 2014, if the Indian Rupee had strengthened or weakened by 10% (31.12.13: 10%) against Sterling with all other variables held constant, pre-tax profit for the year would have been £4,507,000 (31.12.13: £3,569,000) higher or lower, respectively, mainly as a result of foreign exchange gains or losses on translation of Indian Rupee denominated financial assets designated at fair value through profit or loss in ICG Q Limited and the consequent impact on the fair value of the Company's investment in ICG Q Limited.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with ICG Q Limited. Credit risk in relation to securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular settlements for transactions in listed securities are effected by the custodian on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are effected against binding subscription agreements.

The principal credit risks for the Company are in relation to deposits with banks. SBI-SG Global Securities Services Private Limited ("SBI-SG") acts as the principal banker to the Company. The aggregate exposure to the SBI-SG group at 30 June 2014 was £58,000 (30 June 2013: £110,000).

SBI-SG acted as custodian of the Group's assets during the period. The securities held by SBI-SG as custodian are held in trust and are registered in the name of ICG Q Limited. SBI-SG has a credit rating of CRISIL AAA for SBI and A for Societe Generale.

Interest rate risk

Interest rate risk represents the uncertainty of investment return due to changes in the market rates of interest. The direct effect of movements in interest rates is not material as any surplus cash is predominantly in Indian Rupees, and foreign investors are not permitted to earn interest on Rupee balances.

13. Financial instruments and risk profile (continued)

Liquidity risk

Liquidity risk is the risk that ICG Q Limited will encounter in realising assets or otherwise raising funds to meet financial commitments. As the trading volume on the Indian Stock Market is lower than that of more developed stock exchanges the Group is likely to be invested in relatively illiquid securities. ICG Q Limited's unlisted securities are even less liquid and may not be realisable until a third party investor is found. Unlisted securities represent nil% (2013: nil%) of the portfolio. ICG Q Limited's focus is to invest predominantly in mid and small cap stocks. As noted in the Investment Manager's Report, minimum liquidity criteria are utilised for new purchases. However there remain holdings where there is relatively little market liquidity. As with unlisted securities these investments may take time to realise. The Directors do not believe that the market is inactive enough to warrant a discount for liquidity risk on ICG Q Limited's investments.

ICG Q Limited seeks to maintain sufficient cash to meet its working capital requirements.

The Directors do not believe it to be appropriate to adjust the fair value of the Company's investment in ICG Q Limited for liquidity risk, as it has the ability to effect a disposal of any investment in ICG Q Limited's portfolio at the prevailing market price and the distribution of proceeds back to the Company should it so wish.

14. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2014 (30.06.13: Nil).

15. Subsequent events

These financial statements were approved for issuance by the Board on 23 September 2014. Subsequent events have been evaluated until this date.

37,500,710 subscription shares of no par value (the "Subscription Shares") were issued free of payment on the basis of one Subscription Share for every two Ordinary Shares held at 5.00 pm on 4 August 2014. Each Subscription Share confers the right (but not the obligation) to subscribe for one Ordinary Share upon exercise of the Subscription Share rights and on payment of the subscription price being equal to the published unaudited NAV per Ordinary Share as calculated by the Administrator as at 5.00 pm on 31 July 2014, rounded up to the nearest penny (the "Subscription Price"). Further to the Company's 31 July 2014 NAV announcement on 5 August 2014, the Subscription Price has therefore been set at 61 pence per share. Subscription Shares will be exercisable on one date only, 6 August 2016 (the "Subscription Date"), after which the Subscription Shares will lapse. However, if at any time after 6 August 2015 the average middle market quotations (as derived from the London Stock Exchange Official Daily List) for an Ordinary Share for at least 10 consecutive dealing days is 5 percent or more above the Subscription Price, the Company has the right (but not the obligation) to change the Subscription Date for exrcise of the Subscription Shares to an earlier date being a date not less than 30 days after the Company's announcement that it is bringing forward the Subscription Date.

India
Capital Growth Fund

India
Capital Growth Fund

India
Capital Growth Fund

India
Capital Growth Fund

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

www.indiacapitalgrowth.com