India Capital Growth Fund

Interim report
and unaudited
financial statements

For the period from
1 January 2015 to
30 June 2015

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1 January 2015 to
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Contents

Management and administration

Directors

Fred Carr (Chairman)
John Whittle
Peter Niven
Vikram Kaushik

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

Investment Manager

Ocean Dial Asset Management Limited
19 Buckingham Gate
London SW1E 6LB

Administrator and Secretary

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Custodian

SBI- SG Global Securities Services Pvt. Ltd.
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India

Nominated Adviser

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London EC2P 2YU

Management and administration (continued)

Broker

Numis Securities Limited
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10 Paternoster Square
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Registrar

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Glategny Esplanade
Guernsey GY1 3HW

Chairman's statement

In my previous statement to shareholders for the 2014 Annual Report I wrote in summation that "amidst all the euphoria, 2015 will doubtless provide many challenges for investors on a domestic Indian and an International level." Indeed, India's performance in the first half of 2015 has been somewhat more measured in comparison to the substantial rerating that took place during the election year of 2014. The net asset value ("NAV") of the Fund rose by 4.8% on an undiluted basis, however the share price decreased by 5.6%. In comparison the BSE Mid Cap Index, the notional index, grew by 1.4% and the BSE Sensex declined by 0.5% (all returns are in Sterling). Amidst a global backdrop of impending US monetary tightening, Eurozone debt crises and a slowdown in China, India's relative attractiveness to foreign investors has significantly increased.

The first point of discussion is the collapse in the price of crude oil that started in December 2014. It has expedited a change in attitude amongst international investors towards emerging markets, away from viewing them as a single investible asset class. Instead, each country within the category is starting to be judged on its own merits and if one agrees with the consensus that the oil price is due to stay lower for longer, India as a large commodity importer is a standout beneficiary. Moreover, sound monetary policy from the Reserve Bank of India under the leadership of Dr. Raghuram Rajan has facilitated both a low inflation environment and a substantially greater foreign exchange cushion (US$355bn[1]) enabling the country to have a better chance of weathering any macro shocks that may be lurking around the corner.

From a political point of view, the honeymoon period for the BJP Government is now over. Opposition parties have used their superior numbers in the Rajya Sabha (the upper house of Parliament) to stifle certain big ticket reforms and this can be seen from the current difficulty of passing the Goods and Services Tax ("GST") Bill as well as a pro-market amendment to the Land Acquisition Act. Nevertheless, these are challenges that any large and diverse democracy is bound to face. What is clear is that under the leadership of Narendra Modi, India is undergoing fundamental reform that is meaningfully changing the landscape for the better. The Government has used lower oil prices to remove fuel subsidies; Indian consumers now pay the market price. Furthermore, financial inclusion has been given an extraordinary push to the extent that 175 million bank accounts have been opened[2] since September 2014. Whilst this is an impressive achievement in itself, this will allow a more efficient subsidy system that pays directly into recipients' bank accounts, cutting out a significant amount of wastage. Moreover, the drive will help channel India's high savings rate away from unproductive assets such as gold and into the financial system providing more capital to the economy over the longer term.

In an effort to replicate his successes in Gujarat, Modi has effected a change in working culture across the country's administration. The bureaucracy which had come to a standstill under the previous Government has been empowered to be proactive and take decisions to allow businesses to operate. Interactions between bureaucrats and corporate India for licences, permits and approvals have been shifted onto a simplified online platform bringing not only efficiency, but more importantly transparency to the system. The successful re-auction of coal mines (previously cancelled by a Supreme Court judgment) in February served as evidence of change. It was the first time in India that natural resources were allocated online in a fair and open format.

For all the criticism of the Prime Minister operating as an autocrat, the long awaited Union Budget in March demonstrated full commitment towards the devolution of powers and responsibility to the states of India away from the Centre. His experience as a state Chief Minister has made regional development a key focus. Madhya Pradesh recently became the third state in a year, following Gujarat and Rajasthan, to pass amendments to the Centre's labour laws, thereby allowing businesses to take on employees with greater ease. Haryana's state Government has announced that it will look to replicate this move.

Individual states are being encouraged to take the initiative in stimulating growth through reforms and competing for inward investment.

[1] *Source: Bloomberg*
[2] *Source: Ministry of Finance, Government of India*

The seismic nature of the election result in 2014 was a reflection of a different mindset from the electorate; away from subsidies and hand-outs towards social mobility through employment and wealth creation. The current Government is making several changes to facilitate this. Nevertheless, it is clear that it will take time for the real economy to respond to the various initiatives that have been undertaken. A full recovery towards a growth rate that is high enough to provide sufficient employment opportunities across the country is yet to happen and whilst business confidence is high, corporate profitability needs to improve to give the stock market its next push. Nevertheless, India's macroeconomic fundamentals are in a considerably healthier shape than they have been since the global financial crisis. Inflation is now under control, the current account deficit is manageable and the Government is bringing the fiscal deficit down to a more sustainable level. As such there is a stable foundation upon which political reform can be delivered to stimulate sustainable growth and I retain my view that now is a good time to have exposure to the market.

Regardless of the disconnect between corporate earnings and the level of the stock market, I continue to expect the Investment Manager to stick to a long term philosophy that has generated impressive performance thus far, namely by gaining exposure to high quality companies with a sufficient track record of cash flow generation purchased with a margin of safety. Indeed, at the time of writing, the share price has responded to the absolute NAV appreciation over the past 12 months thereby approaching the strike price of the Subscription Shares that were issued in August 2014. The Board is open to considering an earlier exercise of the subscription issue prior to its expiry in August 2016. However this is subject both to certain conditions being met prematurely (the details of which can be found in the admission document on the Company's website) and if it believes that the prevailing environment presents an opportune time to increase the size of the Company's assets, allowing shareholders to add to their exposure to Indian equities. As ever, the Board will keep shareholders fully informed of all eventualities as and when they occur.

Whilst the Indian market is currently going through a period of consolidation and investors are attempting to grapple with a volatile global environment, the stars are aligning for India. There are several challenges that will no doubt arise, however the long term story is very much intact.

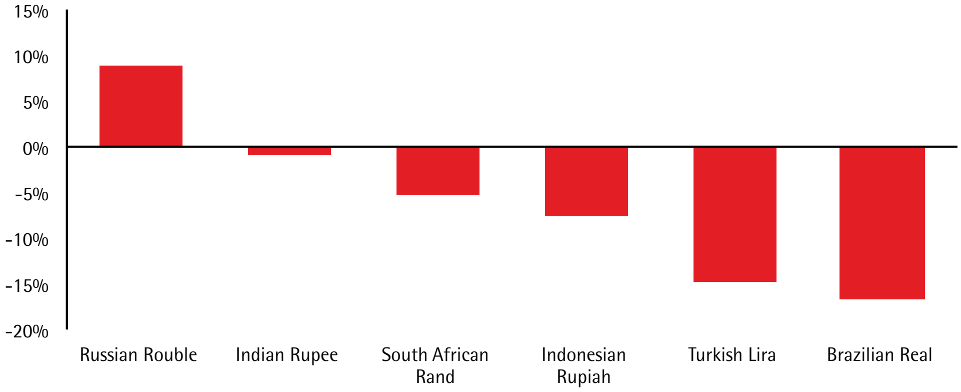
Fred Carr | Chairman
18 September 2015

Investment Manager's report

Introduction

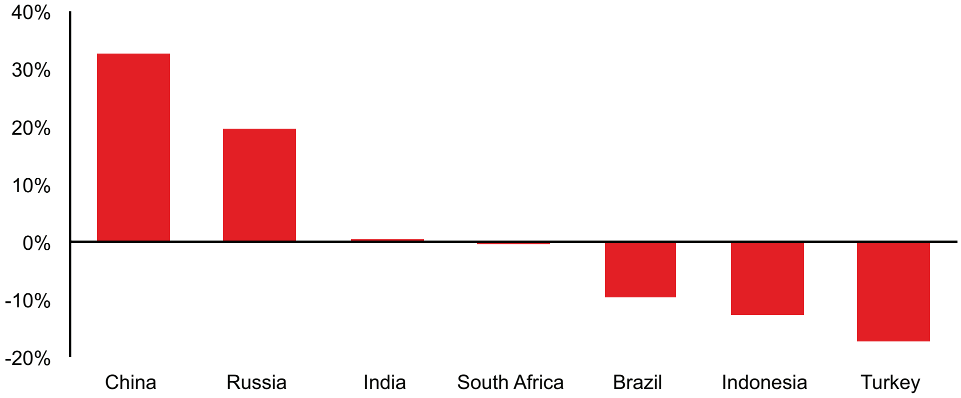
After a very strong performance in 2014, the first half of 2015 has seen the Indian market show a modest performance with the BSE Sensex up 1% and the BSE Mid Cap increasing 3%, both in local and foreign currency terms. The Fund has returned 6.4% during this period, outperforming the notional benchmark by a handsome margin. While the performance of the Indian market may look modest, it has come on the back of a volatile global environment amid concerns of a Greek exit from the Euro Zone, a potential rise in interest rates in the US and slowing growth in China. All the above led to volatility across global markets, with India being no exception. Yet, India remained one of the few bright spots among emerging markets; not only was the market in positive territory, but the currency also held up well. Moreover, India saw net Foreign institutional investment (FII) inflows of over US$6bn during the period.

Chart 1: Emerging Markets' currency performance against US$ – H12015



Source: Bloomberg

Chart 2: Emerging Markets' Indices in H12015



Source: Bloomberg

India Capital Growth Fund

One of the reasons for the superior performance was that India continued to benefit from the uncertain global environment. The fall in commodity prices, particularly oil, ensured inflation continued to trend downwards while the Government subsidy burden also fell, leading to better fiscal compliance in a low growth environment. More importantly, the intense pressure on the currency abated as the current account deficit fell sharply to just 1.4% of GDP from a peak of 5.1%. As a result, the Reserve Bank of India has lowered interest rates by 75bps year-to-date. Petrol, Diesel and LPG prices have also been lowered and now retail at market prices (in LPG, the subsidy amount is directly transferred to individual's bank account). Furthermore, with volatile gold prices, not only have gold imports come off, but we are seeing a gradual shift of saving moving from physical assets to financial assets – domestic mutual fund equity assets have seen net inflows of over US$5bn after three years of outflows, while deposit growth for banks is outpacing credit growth.

What has been disappointing though is the sustained weakness in economic growth. The March 2015 quarter saw aggregate earnings growth for BSE Sensex companies turn negative and the June 2015 quarter results also appear to be on similar lines. This is despite the NDA Government taking several policy initiatives to address bottlenecks on environment approvals, allocation of resources, as well as bringing about transparency in decision making. Besides the above, the Government has taken several initiatives like Make in India, Digital India and Clean India to give a clear direction on the areas of focus along with policy measures to attract investment. This has created a very positive environment, even though it is yet to translate to actual investment on the ground, particularly from corporate India. This is because the cash rich companies are still operating at 70% capacity utilization and unwilling to invest until they see demand improve. On the other hand, cash strapped companies, particularly in the infrastructure space are unable to raise capital given their weak balance sheets and risk aversion by the banking sector. This has propelled the Government to take the lead in pushing investments in the infrastructure space.

We are now starting to see the first signs of economic activity picking up. Sectors like Railways and Roads have started placing orders. Data released by the Centre for Monitoring Indian Economy (CMIE) shows a decline in the number of projects which are stalled. Sales of Medium and Heavy commercial vehicles have bounced back, car sales have hit double digit growth rates and even other lead indicators like air travel reflect an improving trend. All these have given a lot of hope that the economy may have finally bottomed out.

A dampener to the above revival could be a below average monsoon. Should the forecast of the Indian Meteorological Department come true, it may impact the rural economy and force the Government to divert resources. Politics also remains a concern. Lack of majority in the upper house may further push back the passage of some key bills like the land amendment bill and the GST bill, both of which are key in accelerating the economy. Despite these short term concerns, we remain positive on the direction of the economy and believe growth in the future will be sustainable over several years.

Portfolio Construction and Attribution

We had made several changes to our portfolio in 2014 post the election of the NDA Government, realigning the portfolio towards their economic policies. We thus made few portfolio changes in the first half of the year, with only three new stock additions and one exit. We did however trim exposure in several stocks to take advantage of price movements.

Among the stocks added were two forging companies, Ramkrishna Forgings (makes forged components for commercial vehicles for domestic as well as exports to Tier 1 manufacturers) and Mahindra CIE (a joint venture with CIE, Spain with plants in Europe, India and China). Besides this we also added another Cement company, JK Laxmi (presence in North and East India). This was to add to our existing cement exposure, which until now was through The Ramco Cements (with a presence in South India). The only stock we exited was Larsen & Toubro.

Many stocks in the portfolio contributed to our performance, including Ajanta Pharma (3.0% weight) up 69%, Dish TV (3.9% weight) up 58%, Emami (3.6% weight) up 47%, PI Industries (3.7% weight) up 25% and Kajaria Ceramics (3.8% weight) up 23%. Among the negative contributors were KPIT Cummins (1% weight) down 54%, Indian Bank (1.7% weight) down 33% and Tech Mahindra (2.8% weight) down 26%.

Our outperformance stemmed from the fact we had few stocks which registered sharp declines and had limited exposure to sectors like Metals and Infrastructure, which saw declines over the period.

Top 10 Holdings

Federal Bank (5.1% 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 two years, Federal Bank is now poised for the next phase of "Growth with Quality". Based on the closing price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 11.0x and 1.5x projected FY16 book value.

Jyothy Laboratories (4.2% of the portfolio)
Jyothy is a Mumbai-based FMCG company with 21 manufacturing units at 14 locations across India. It has six business divisions namely Fabric Care, Household Insecticide, Utensil Cleaners, Fragrances, Personal Care and Fabric Care Service, under the brands Ujala, Maxo, Exo, Jeeva and Maya. With its successful purchase and integration of Henkel in 2011 now bearing fruit, we see a period of sustained above market growth along with operating leverage driving earnings. Based on the closing price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 31.1x.

Motherson Sumi Systems Ltd (4.1% of the portfolio)
Motherson Sumi (MSS) was established in 1986 as a JV with Sumitomo Wiring Systems, Japan for the supply of wiring harnesses to Maruti Suzuki. Significant acquisitions in 2009 and 2011 have expanded MSS' global presence and it has now become a Tier-I supplier of automotive components to major global OEMs. MSS now has a 65% market share in automotive wiring harnesses, 48% in mirrors for passenger cars in India and is one of the largest manufacturers of rear-view mirrors and polymer components for passenger cars in the world. Based on the closing price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 29.8x.

Dewan Housing Finance Corporation (3.9% of the portfolio)
Dewan Housing (DHFC) is the third largest private sector Housing Finance Company in India, concentrating on the low to middle income segment by providing finance to low cost houses. We are extremely positive on the long term prospects of housing finance in India, particularly the low income segment, which has less pricing pressure and also has a favourable competitive environment as establishing a network is difficult and time consuming. Based on the closing price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 7.8x and 1.2x projected FY16 book value.

Dish TV (3.9% of the portfolio)
Dish TV is a pioneer and leader in the Direct to Home space in India with a presence in 8,700+ towns through a network of more than 185,000 dealers. It is the largest DTH service provider in India with a net subscriber base of 13.3m, translating into market share of approximately 27%. The company offers more than 420 channels on the MPEG 2 technology platform, while also offering exclusive national and international channels, movies on demand, and interactive TV. The company is the only player in the market to have turned profitable and as average revenues per users rise, there will be a disproportionate increase in earnings. Based on the closing price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 66.9x.

Kajaria Ceramics (3.8% of the portfolio)
Kajaria is the largest tile manufacturer in India and a leader in North India. Tile penetration in India is still very low and consumption should benefit from the housing boom and commercial developments in Tier 2 and 3 cities, along with higher consumer aspirations. Market dynamics are favourable, with CAGR of the tile market at 15-16% in last five years, while expectation is for this growth to continue over the next five years. There is also a gradual upward movement in value chain, which has led to higher realisations and margins. 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, the stock trades at a price to projected FY16 earnings ratio of 26.8x.

PI Industries (3.8% of the portfolio)
PI Industries (PI) focuses on agri-input and chemical production business. The company has decided not to enter the generics space in agro-chemicals. Instead it has tied-up with global multi-national companies for IP products. It has exclusive rights with several global companies for distribution in India and is constantly on the lookout to expand its operations/tie-ups. On account of its R&D driven approach, PI has become a preferred partner for companies for chemical production coupled with a non-compete and IP driven business model. It has a strong order book of US$600m which ensures long term revenue visibility in the custom synthesis segment. Based on the closing market price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 28.9x.

Yes Bank (3.7% of the portfolio)
Yes Bank is a new-generation private-sector bank, run by a highly competent top management team that has established a high quality, customer centric, service driven bank; now the fourth largest private sector bank in India. Having expanded to over 630 retail branches, the bank is focusing on building a strong retail franchise, targeting 30% of its assets and deposits to come 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, the stock trades at a price to projected FY16 earnings ratio of 14.2x and 2.6x projected FY16 book value.

Emami (3.6% 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 as sustaining above market growth and profitability, a trend we see continuing into the future. Based on the closing market price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 45.5x.

Max India (3.5% of the portfolio)
Max India is a diversified insurance group with interests in life insurance, health insurance, hospitals and speciality films. The group holds a 72% stake in a life insurance venture called Max Life, which is one of the top five private sector life insurance companies in India. While the life insurance market in India has shown weakness in new business uptake over the last five years, Max India has grown in new business in three out of the last five years. This has led to rapid growth in AUM and a CAGR of more than 20%. Based on the closing market price on 30 June, the stock trades at a price to projected FY16 earnings ratio of 45.1x and 3.6x projected FY2016 book value.

Ocean Dial Asset Management
18 September 2015

Directors' report

The Directors present their interim report and the unaudited financial statements of the Company for the period from 1 January 2015 to 30 June 2015.

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 2015, the Company had one wholly owned Mauritian subsidiary, ICG Q Limited. The Company's Ordinary Shares and Subscription Shares were admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 22 December 2005 and 12 August 2014 respectively.

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 condensed statement of comprehensive income on page 14.

The Directors do not recommend the payment of a dividend for the period ended 30 June 2015 (30 June 2014: Nil).

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 2015 was 2.00 per cent (30.06.2014: 2.86 per cent). No performance fees were charged during the period.

Substantial interests

Shareholders who at 30 June 2015 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
BBHISL NOMINEES LIMITED Des:128140	13,268,034	17.69%
BBHISL NOMINEES LIMITED Des:129845	7,053,800	9.40%
BNY (OCS) NOMINEES LIMITED	4,525,000	6.30%
BNY MELLON NOMINEES LIMITED	3,041,532	4.06%
CHASE NOMINEES LIMITED	4,169,849	5.56%
NORTRUST NOMINEES LIMITED	3,634,208	4.85%
RATHBONE NOMINEES LIMITED	4,198,598	5.60%
STATE STREET NOMINEES LIMITED	3,849,791	5.13%

At 30 June 2015, the Investment Manager, Ocean Dial Asset Management Limited, and connected persons (not elsewhere disclosed) held in aggregate 622,581 (0.83%) ordinary shares 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.

Directors' interests

At 30 June 2015, 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 2015.

Change in auditor

Following an audit tender process conducted by the Audit Committee, Deloitte LLP replaced Ernst & Young LLP as auditor of the Company with effect from July 2015.

Approved by the Board of Directors and signed on behalf of the Board on 18 September 2015.

Fred Carr

Peter Niven

Principal investments

As at 30 June 2015

HOLDING	TYPE	SECTOR	VALUE £000's	% OF COMPANY NAV
Federal Bank	Mid Cap	Financials	2,968	5.09
Jyothy Laboratories	Small cap	Consumer Staples	2,431	4.17
Motherson Sumi Systems	Large Cap	Consumer Discretionary	2,399	4.11
Dewan Housing	Mid Cap	Financials	2,270	3.89
Dish TV India	Mid cap	Consumer Discretionary	2,253	3.86
Kajaria Ceramics	Mid Cap	Industrials	2,206	3.78
PI Industries	Mid Cap	Materials	2,188	3.75
Yes Bank	Large Cap	Financials	2,149	3.68
Emami	Large Cap	Consumer Staples	2,120	3.63
Max India	Mid Cap	Financials	2,044	3.50
Total top 10 equity investments			**23,028**	**39.46**
Other Small Cap	(11 companies)		8,722	14.95
Other Mid Cap	(10 companies)		15,006	25.72
Other Large Cap	(5 companies)		8,407	14.41
Total equity investments			**55,163**	**94.53**
Cash less other net current liabilities of ICG Q Limited			3,146	5.39
Total net assets of ICG Q Limited			**58,309**	**99.92**
Cash less other net current liabilities of the Company			45	0.08
Total Net Assets			**58,354**	**100.00**

Note:

Large Cap - companies with a market capitalisation above INR250 billion (£2.5bn)	29.23
Mid Cap - companies with a market capitalisation between INR60 billion and INR250 billion (£600m - £2.5bn)	50.35
Small Cap - companies with a market capitalisation below INR60 billion (£600m)	14.95
	94.53

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 2015

HOLDING	NOMINAL	VALUE £000's	% OF COMPANY NAV
Listed Securities			
Consumer discretionary			
Balkrishna Industries	257,000	1,831	3.14
Dish TV India	2,121,212	2,253	3.86
Mahindra CIE Auto	600,000	1,377	2.36
Motherson Sumi Systems	463,000	2,399	4.11
Ramkrishna Forgings	201,217	1,307	2.24
		9,167	15.71
Consumer staples			
Dabur India	387,640	1,084	1.86
Emami	183,000	2,120	3.63
Jyothy Laboratories	833,355	2,431	4.17
Radico Khaitan	560,000	457	0.78
		6,092	10.44
Energy			
Aban Offshore	170,000	1,084	1.86
Financials			
Arihant Foundations & Housing	592,400	227	0.39
Dewan Housing	540,000	2,270	3.89
Federal Bank	2,010,000	2,967	5.08
Indian Bank	688,913	978	1.68
Indusind Bank	222,000	1,935	3.32
Max India	423,597	2,044	3.50
Sobha Developers	300,000	1,068	1.83
Yes Bank	255,000	2,149	3.68
		13,639	23.37
Healthcare			
Ajanta Pharma	110,000	1,724	2.95
Divi's Laboratories	97,550	1,832	3.14
Lupin	95,000	1,790	3.07
Neuland Laboratories	128,996	471	0.81
		5,816	9.97
Industrials			
Eicher Motors	10,000	1,956	3.35
Exide Industries	1,034,000	1,532	2.62
Finolex Cables	556,597	1,387	2.38
Gujarat Pipavav Port	746,000	1,624	2.78
Jain Irrigation Systems	1,363,293	910	1.56
Kajaria Ceramics	302,835	2,206	3.78
Voltas	400,000	1,260	2.16
		10,874	18.64

Portfolio statement (continued)

As at 30 June 2015

HOLDING	NOMINAL	VALUE £000's	% OF COMPANY NAV
IT			
KPIT	621,781	578	0.99
NIT Technologies	222,996	869	1.49
Tech Mahindra	344,000	1,642	2.81
		3,089	5.29
Materials			
Berger Paints India	760,000	1,483	2.54
JK Lakshmi Cement	268,697	932	1.60
P.I. Industries	340,000	2,188	3.75
The Ramco Cements	406,702	1,367	2.34
		5,971	10.23
Total equity investments		**55,163**	**94.53**
Cash less other net current liabilities of ICG Q Limited		3,146	5.39
Total net assets of ICG Q Limited		**58,309**	**99.92**
Cash less other net current liabilities of the Company		45	0.08
Total Net Assets		**58,354**	**100.00**

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

Unaudited condensed statement of comprehensive income

For the six months to 30 June 2015

	NOTES	REVENUE £000	CAPITAL £000	UNAUDITED SIX MONTHS TO 30.06.15 TOTAL £000	UNAUDITED SIX MONTHS TO 30.06.14 TOTAL £000	AUDITED YEAR TO 31.12.14 TOTAL £000
Income						
Net gains on financial asset at fair value through profit or loss		–	2,733	2,733	10,508	21,278
Total income		**–**	**2,733**	**2,733**	**10,508**	**21,278**
Expenses						
Management fee	11	72	–	72	(13)	(26)
Other professional fees		(1)	–	(1)	(107)	(117)
Other expenses	3	(143)	–	(143)	(161)	(294)
Foreign exchange loss		-	–	-	–	(1)
Total expenses		**(72)**	**–**	**(72)**	**(281)**	**(438)**
(Loss)/profit for the period/year before taxation		(72)	2,733	2,661	10,227	20,840
Taxation	6	–	–	–	–	–
(Loss)/profit for the period/year before taxation		**(72)**	**2,733**	**2,661**	**10,227**	**20,840**
(Loss)/earnings per Ordinary Share (pence)	4	(0.10)	3.64	3.55	13.64	27.79
Fully diluted (loss)/earnings per Ordinary Share (pence)	4	(0.10)	3.62	3.53	13.64	27.79

The total columns of this statement represents the Company's condensed 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 and all the items in the above statement derive from continuing operations.

The fully diluted earnings per Ordinary Share in respect of the year ended 31 December 2014 was incorrectly calculated and has been restated to show the correct figure.

The notes on pages 18 to 27 form part of these financial statements.

Unaudited condensed statement of changes in equity

For the six months to 30 June 2015 (unaudited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2015		750	(9,313)	(8,594)	72,850	55,693
Gain on investments	5	–	2,733	–	–	2,733
Revenue loss for the period after taxation		–	–	(72)	–	(72)
Balance as at 30 June 2015		**750**	**(6,580)**	**(8,666)**	**72,850**	**58,354**

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 (restated)		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 year ended 31 December 2014 (audited)

	NOTES	SHARE CAPITAL £000	CAPITAL RESERVE £000	REVENUE RESERVE £000	OTHER DISTRIBUTABLE RESERVE £000	TOTAL £000
Balance as at 1 January 2014 (restated)		750	(30,591)	(8,156)	72,850	34,853
Gain on investments	5	–	21,278	–	–	21,278
Revenue loss for the period after taxation		–	–	(438)	–	(438)
Balance as at 31 December 2014		**750**	**(9,313)**	**(8,594)**	**72,850**	**55,693**

The notes on pages 18 to 27 form part of these financial statements.

Unaudited condensed statement of financial position

As at 30 June 2015

	NOTES	UNAUDITED 30.06.15 £000	UNAUDITED 30.06.14 £000	AUDITED 31.12.14 £000
Non-current assets				
Financial asset designated at fair value through profit or loss	5	58,309	45,257	55,776
Current assets				
Cash and cash equivalents		83	58	48
Receivables	7	92	14	8
		175	72	56
Current liabilities				
Payables	8	(130)	(249)	(139)
Net current assets/(liabilities)		45	(177)	(83)
Total assets less current liabilities		**58,354**	**45,080**	**55,693**
Equity				
Ordinary share capital	10	750	750	750
Reserves		57,604	44,330	54,943
Total equity		**58,354**	**45,080**	**55,693**
Number of Ordinary Shares in issue		**75,001,463**	**75,001,463**	**75,001,463**
Net Asset Value per Ordinary Share (pence) – Undiluted		**77.80**	**60.11**	**74.26**
Net Asset Value per Ordinary Share (pence) – Diluted	**10**	**72.20**	**60.11**	**69.83**

The unaudited financial statements on pages 14 to 27 were approved by the Board of Directors on 18 September 2015 and signed on its behalf by:

Fred Carr
Peter Niven

The notes on pages 18 to 27 form part of these financial statements.

Unaudited condensed statement of cash flows

For the six months to 30 June 2015

	UNAUDITED SIX MONTHS TO 30.06.15 £000	UNAUDITED SIX MONTHS TO 30.06.14 £000	AUDITED YEAR TO 31.12.14 £000
Cash flows from operating activities			
Operating profit	2,661	10,227	20,840
Adjustment for:			
Net gain on financial asset at fair value through profit or loss	(2,733)	(10,508)	(21,278)
Foreign exchange losses	-	-	1
Operating loss before working capital changes	(72)	(281)	(437)
Working capital changes			
(Increase)/decrease in receivables	(84)	1	7
(Decrease)/increase in payables	(9)	53	(57)
Net cash outflow from operating activities	**(165)**	**(227)**	**(487)**
Cash flows from investing activities			
Sale of investments	200	224	475
Net cash inflow generated from investing activities	**200**	**224**	**475**
Net increase/(decrease) in cash and cash equivalents during the period/year	35	(3)	(12)
Cash and cash equivalents at the start of the period/year	48	61	61
Foreign exchange losses	-	-	(1)
Cash and cash equivalents at the end of the period/year	**83**	**58**	**48**

The notes on pages 18 to 27 form part of these financial statements.

Notes to the unaudited financial statements

For the six months to 30 June 2015

1. Accounting Policies

Basis of accounting

The unaudited interim financial statements for the six months ended 30 June 2015 have been prepared under International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB).

The unaudited interim 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 2014.

Basis of preparation

The interim financial statements for the period ended 30 June 2015 have been prepared under the historical cost convention adjusted to take account of the revaluation of the Company's investments to fair value.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for Investment Trust Companies and Venture Capital 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 statement of comprehensive income.

Impact of IFRS 10 'Consolidated Financial Statements'

As set out under IFRS 10, a parent entity that qualifies as an investment entity is not able to 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 Board of Directors evaluates the performance of its investment in ICG Q Limited based on the prevailing Net Asset Value at the corresponding valuation date.

On the basis of the above, these unaudited financial statements represent the stand-alone figures of the Company. All comparative figures for the period ended 30 June 2014 (unaudited) and year ended 31 December 2014 (audited) represent Company figures instead of consolidated figures. However, the net asset value and aggregate reserves of the Company remain unchanged. There was a reclassification between capital and revenue reserves and income and expenses in the statement of comprehensive income.

Expenses

Expenses are accounted for on an accruals basis. 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.

Notes to the unaudited financial statements (continued)

For the six months to 30 June 2015

1. Accounting Policies (continued)

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 statement of comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise.

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.

Financial assets

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.

Receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Due to their short-term maturities, their fair values approximate their costs.

Payables are recognised initially at fair value and subsequently measured at amortised cost. Due to their short-term maturities, their fair values approximate their costs.

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.

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 2018

1. Accounting Policies (continued)

Standards, interpretations and amendments to published statements not yet effective (continued)

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

IFRS require management to make judgments, estimates and assumptions that effect 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 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 calculation of the sensitivity analysis. And in relation to the valuation of unlisted investment, actual results may differ from the estimates. It is management's judgement that NAV of ICG Q Limited is an appropriate proxy for fair value as the Company can control the sale of the subsidiary's investments and therefore no liquidity discount required.

3. Other expenses

	Unaudited Six months to 30.06.15 £000	Unaudited Six months to 30.06.14 £000	Audited Year to 31.12.14 £000
Directors' fees	35	47	86
D&O insurance	3	3	6
Administration and secretarial fees	20	12	39
Audit fee	15	7	14
General expenses	70	92	149
	143	161	294

4. Earnings per share

Earnings per Ordinary Share is calculated on the profit for the period of £2,661,000 (30.06.14 - £10,227,000) divided by the weighted average number of Ordinary Shares of 75,001,463 (30.06.14 - 75,001,463).

The fully diluted Earnings per Ordinary Share is calculated on the same profit for the period but divided by the diluted weighted average number of Ordinary Shares of 75,450,937 (30.06.14 – 75,001,463).

The diluted weighted average number of shares assumes that the 37,500,710 Subscription Shares issued on 6 August 2014 will be exercised at their subscription price of 61 pence if the average market price of Ordinary Shares for the period, which was 61.74 pence (30.06.14 – not applicable), exceeds this subscription price. Consequently in accordance with IAS 33, the dilutive potential ordinary shares for the period were 449,474 (30.06.14 – not applicable), which when added to the weighted average number of Ordinary Shares of 75,001,463 (30.06.14 – 75,001,463) gives a weighted average number of Ordinary Shares for the purposes of fully diluted Earnings per Ordinary Share of 75,450,937 (30.06.14 – 75,001,463).

4. Earnings per share (continued)

The Subscription Shares have a subscription date of 6 August 2016. However, if at any time after 6 August 2015 the average middle market quotation for an Ordinary Share for at least 10 consecutive trading days is 5% or more above the subscription price, the Company has the right, but not the obligation, by an announcement on a RIS, to change the subscription date for exercise 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. In that event, an announcement will be made on a RIS and a notice of the revised subscription date will be given to all holders of the Subscription Shares on the register at 5.00pm on the date falling three business days following the announcement of the revised subscription date

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

	Unlisted £000	Unaudited Six months to 30.06.15 Total £000	Unaudited Six months to 30.06.14 Total £000	Audited Year to 31.12.14 Total £000
Market value as at 1 January	55,776	55,776	34,973	34,973
Sales proceeds	(200)	(200)	(224)	(475)
Realised gain on sale of investments	83	83	10	85
At end of the period/year	55,659	55,659	34,759	34,583
Unrealised gain on revaluation	2,650	2,650	10,498	21,193
Fair value at end of period/year	**58,309**	**58,309**	**45,257**	**55,776**
Fair value of listed securities at end of the period/year		–	–	–
Fair value of unlisted securities at end of the period/year		58,309	45,257	55,776

The equity investment represents ICG Q Limited, the Company's wholly owned subsidiary. ICG Q Limited is incorporated and has its principal place of business in the Republic of Mauritius. The Company holds Participating Shares in ICG Q Limited, which confer voting rights to the Company, hence controlling interests.

6. Taxation

Guernsey

India Capital Growth Fund Limited is exempt from taxation in Guernsey. The Company is exempt under The Income Tax (External Bodies) (Guernsey) Ordinance 1989 (as amended) and paid the annual exemption fee of £600.

For the period ended 30 June 2015, the Company had a tax liability of £ Nil (period ended 30 June 2014: £ Nil).

Notes to the unaudited financial statements (continued)

For the six months to 30 June 2015

7. Receivables

	Unaudited 30.06.15 Total £000	Unaudited 30.06.14 Total £000	Audited 31.12.14 Total £000
Other receivables and prepayments	92	14	8
	92	14	8

8. Payables

	Unaudited 30.06.15 Total £000	Unaudited 30.06.14 Total £000	Audited 31.12.14 Total £000
Management fee	73	58	71
Other creditors	57	191	68
	130	249	139

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 - Mauritius. The subsidiary, ICG Q Limited, focuses its investment activities in listed securities in India. Additional disclosures have been provided in this Annual Report to disclose the underlying information. 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, as per the basis of preparation in Note 1.

10. Share capital

Authorised Share Capital

Unlimited number of Ordinary Shares of £0.01 each

Issued Share Capital	Number of shares	Share capital £000
Ordinary Shares of £0.01 each		
At 30 June 2015	75,001,463	750
At 31 June 2014	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.

There were no movements in the number of Ordinary Shares during 2015 or 2014. The other distributable reserves relate to share premium arising on issuance of Ordinary Shares only.

10. Share capital (continued)

Subscription Share Capital	**Number of shares**	**Share capital £000**
Subscription shares		
At 30 June 2015	37,500,710	-
At 30 June 2014	-	-

The Subscription Shares were issued for nil consideration on 6 August 2014 and have a subscription date of 6 August 2016 at a subscription price of 61 pence per share. However, if at any time after 6 August 2015 the average middle market quotation for an Ordinary Share for at least 10 consecutive trading days is 5% or more above the subscription price, the Company has the right, but not the obligation, by an announcement on a RIS, to change the subscription date for exercise 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. In that event, an announcement will be made on a RIS and a notice of the revised subscription date will be given to all holders of the Subscription Shares on the register at 5.00pm on the date falling three business days following the announcement of the revised subscription date.

The Subscription Shares do not entitle the holders to dividends or voting rights in the Company.

The diluted Net Asset Value per Ordinary Share assumes the Subscription Shares will be fully exercised at 61 pence per share, increasing the Net Assets by £22,875,000 (30.06.14 - not applicable) and also increasing the Ordinary Shares in issue by 37,500,710 (30.06.14 – not applicable).

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 £451,000 in management fees during the six months ended 30 June 2015 (six months ended 30.06.14: £244,000) of which £73,000 was outstanding at 30 June 2015 (30.06.14: £58,000) and of which £72,000 (30.06.14: (£6,000)) was credited by the Company.

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 £20,000 for administration and secretarial services during the six months ended 30 June 2015 (30.06.14: £27,000) of which £2,200 was outstanding at 30 June 2015 (30.06.14: £4,300).

12. Fair value of financial instrument

The following tables show 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 2015 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	–	–	–	–
Unlisted securities	–	58,309	–	58,309
	–	58,309	–	58,309

The analysis as at 30 June 2014 was 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 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 2. 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 through its subsidiary. 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 did not hold any unlisted security during the period ended 30 June 2015. 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.

13. Financial instruments and risk profile (continued)

The specific risks arising from the Company's exposure to these instruments and the Investment Manager's policies for managing these risks, which have been applied throughout the year, are summarised below:

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 2015, 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 as occurred in August 2014 when the Board issued subscription shares on the basis of 1 subscription share for every 2 Ordinary Shares. The intention of the issue is to increase the Company's share capital by up to 50% in order to improve liquidity and reduce operating charges as a percentage of assets under management.

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 2015, comprised investment in 36 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 (30.06.15: 94.50%; 30.06.14: 95.33%) to any movement in the BSE Mid-Cap Index. At 30 June 2015, with all other variables held constant, this approximation would produce a movement in the net assets of ICG Q Limited of £6,000,000 (30.06.14: £4,299,000) for a 10% (30.06.14: 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.

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.

13. Financial instruments and risk profile (continued)

Foreign currency risk (continued)

At 30 June 2015, if the Indian Rupee had strengthened or weakened by 10% (30.06.14: 10%) against Sterling with all other variables held constant, pre-tax profit for the year would have been £3,094,000 (30.06.14: £4,507,000) 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 2015 was £3,177,000 (30.06.14: £58,000).

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.

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% (2014: 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.

Notes to the unaudited financial statements (continued)

For the six months to 30 June 2015

14. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 30 June 2015 (30.06.14: Nil).

15. Subsequent events

These financial statements were approved for issuance by the Board on 18 September 2015. Subsequent events have been evaluated until this date. There were no subsequent events after year end that required adjustments to the interim financial statements and disclosures to the notes.

India Capital Growth Fund

India Capital Growth Fund

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