India Capital GROWTH FUND

Interim report and unaudited financial statements

2020

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020

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MANAGEMENT AND ADMINISTRATION

DIRECTORS

Elisabeth Scott (Chairman)
Peter Niven
John Whittle (up to 25 September 2020)
Patrick Firth (from 25 September 2020)

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INVESTMENT MANAGER

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ADMINISTRATOR AND SECRETARY

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India Capital
GROWTH FUND

CHAIRMAN'S STATEMENT

PERFORMANCE

The first few weeks of 2020 saw promising signs of economic recovery in India. Unfortunately, as the COVID-19 pandemic swept across the globe, India was badly affected with a nationwide lockdown introduced in March, bringing economic activity to a grinding halt. We read about the mass migration of Indian workers attempting to return home to their rural villages from the cities.

Performance was poor during the period, with the BSE Midcap Index (sterling total return) declining by 11.4%. The Company's Net Asset Value (NAV) underperformed, falling by 20.4%. The Company's exposure to the banking sector was responsible for the bulk of the underperformance.

On a more optimistic note, since the end of the period we have seen an improvement in absolute and relative performance. As I noted in the Annual Report, Ocean Dial has implemented a number of measures to strengthen the team managing the Company's portfolio. The review of the investment management process has resulted in a number of changes in holdings some of which are discussed in the Investment Manager's report.

GOVERNANCE AND DISCOUNT

On 12 June 2020, an Extraordinary General Meeting was held to vote on the Company's continuation, the introduction of the redemption facility and some changes to the Articles of Association. I am pleased to say that shareholders voted to support the continuation of the Company. The redemption facility gives shareholders the right to request the redemption of part or all of their shareholding on 31 December 2021 and every second year thereafter at a maximum exit discount of 6% to NAV.

The investment management fee payable to Ocean Dial Asset Management has been reduced from 1.25% of total assets per annum to the lower of 1.25% of average market capitalisation per annum or 1.25% of total assets per annum.

During the period the Company's discount to NAV widened to 43.5% but ended the period at 24.5%. This discount is wider than we would like, and the Board and the Investment Manager continues to look for ways to reduce the discount further over time.

As I wrote in the Annual Report, John Whittle, our Audit Chair is standing down from the Board. He will not stand for re-election at the AGM. The Board asked an executive search firm, Fletcher Jones, to find his replacement and I am pleased that Patrick Firth, an experienced Audit Chair and financial services professional, has agreed to join the Board with effect from our AGM. John Whittle has been a conscientious and diligent director of the Company and he leaves with our grateful thanks for his work over the past nine years.

INVESTOR RELATIONS

The Board and Investment Manager believe that effective communication with shareholders is more important than ever, given the uncertainties surrounding the global economy. With the assistance of Shore Capital, our brokers, Ocean Dial has hosted a number of webinars for shareholders and carried out a programme of one-on-one meetings with large shareholders and private wealth managers. Our PR agency, Maitland/AMO continues to raise the profile of the Company and I hope that you have seen the Investment Manager's comments on India and the prospects for the Company in the press from time to time.

We would like to ensure that all shareholders have the opportunity to engage with the Board and the Investment Manager and to access up to date information on the Company as required. We are putting in place a plan for more webinars and written research to be widely available. Further details will be available on our website in due course (www.indiacapitalgrowth.com).

OUTLOOK

The complexities of investing in India during the pandemic should not to be underestimated, but the Board believes that the strengthening of the investment management team and the improved investment process is starting to bear fruit. We believe that the focus on good quality companies with strong management capabilities and a clear path to growth is the way to generate positive investment performance.

India's economy will benefit from the structural reforms being introduced by Prime Minister Modi's Government, even if there is short term drag as business models are revised. In addition, India's comparatively low labour costs and large population make it a viable alternative for manufacturers, particularly as efficiency improvements follow the reforms.

Once again, I must thank you for your support and patience over the past few months.

Elisabeth Scott | Chairman
29 September 2020

INVESTMENT MANAGER'S REPORT

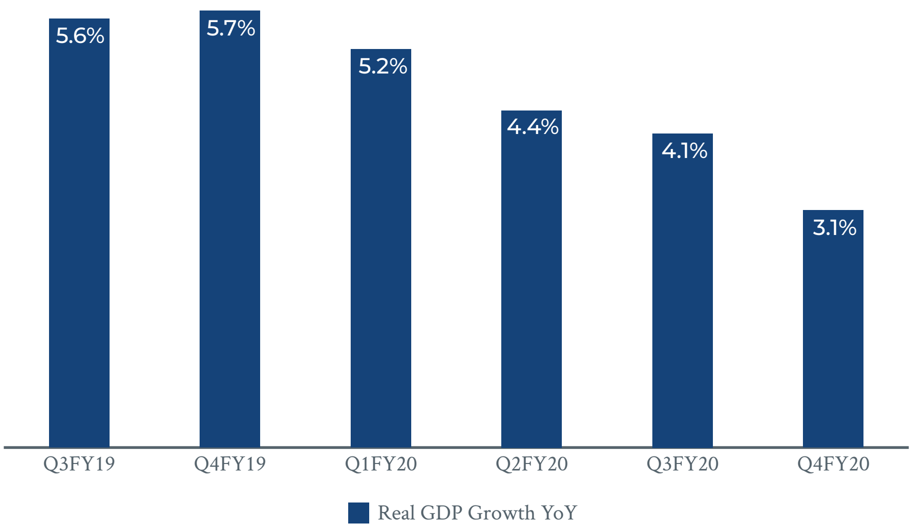
So much has transformed in the last six months that reporting on, or even thinking back to, life before the pandemic feels like going back to a period before time began. India appeared largely unaffected in the first two months of 2020, but in our March monthly report to investors we noted that 45 cases of COVID-19 had been reported in India, though these were predominantly holidaymakers from Italy hostelled in New Delhi. Looking back to then, we were concerned about the extent to which the economy was primed to recover from a banking and liquidity crisis that had engulfed the corporate sector for the eighteen months prior (particularly the small and midcap space), and whether credit growth and retail consumption would recover sufficiently to support earnings growth forecasts in the portfolio's investee companies.

We also noted disappointment that the Budget (also in February) failed to deliver any stimulus to drive the much-needed pickup in retail demand. Hence, when the financial tsunami struck in March, already weak underlying GDP growth and ongoing lacklustre investor sentiment dealt Indian equities a harsh blow, both in relative (to the broader Emerging Market universe) and absolute terms.

Over the six-month period under review, India's midcap equity market fell 25.9% from a high on January 16th to the lows on April 3rd before recovering 13.3% by the end of June. Over the same period, the net asset value (NAV) fell 41.5% and the share price fell 56.5%, whilst the discount to NAV crossed 40% at the nadir. The recovery in the NAV has been more robust, rising 28.1% from the lows, whilst the share price has rallied sharply, recovering 56.5% to the end of June. The index has rallied 18.5%. Returns have benefitted from a combination of local currency improvements in the NAV, supported by a stronger INR (vs GBP) and a narrowing of the discount from 40.6% at the lows to 24.4% at June end. Over the reporting period in question, the portfolio fell 20.4%, delivering a relative performance (gross of fees) of -7.5% to its stated benchmark, the BSE Mid Cap Total Return Index. Relative performance continues to be substandard and is a critical issue that is addressed both later in this report and in the Chairman's statement.

Given the size of the population and its limited infrastructure, India is not best suited to managing the pandemic. The proximity with which many urban dwellers are forced to co-habit, the limited medical resources on hand to cope with an escalating crisis and the lack of any form of social security net pose far greater risks for its people than many developed market economies. However, the Indian Government acted quickly and decisively in late March, imposing a nationwide lockdown, severe by global standards, prioritising the wellbeing of the nation over economic stability. The lockdown was gradually eased over four iterations as the Government's understanding of the economic and social impact of the virus became clearer alongside their ability to increase hospital capacity and to ramp up testing.

India's Real GDP Growth (%)



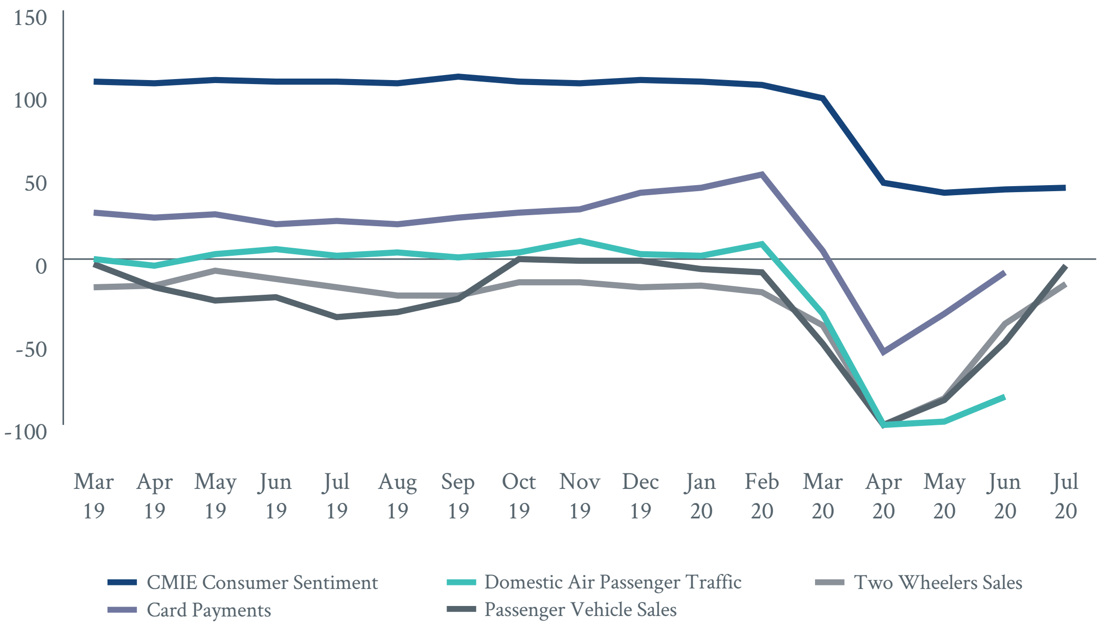
Source: Bloomberg, Ministry of Finance

INVESTMENT MANAGER'S REPORT continued

In early June "Unlock 1.0" was announced, representing a stepped approach to reopening parts of the economy including manufacturing facilities, some shopping malls, restaurants and limited parts of the transport infrastructure in areas where the pandemic has not spread or has been successfully contained. In a similar strategy to other countries, local lockdowns are being imposed as a way of ensuring the economy is able to function where feasibly possible. The response has been better than forecast, as measured by several high frequency indicators including rail freight, electricity generation, tax receipts and "work mobility", all of which are still lower than they were a year ago but have recovered substantially from the virtual complete collapse witnessed in April and May. The impact on consumption growth of certain bigger ticket items and of overall consumer sentiment can be seen in the chart below, suggesting partial recovery.

A closer look at the data indicates that the rural economy has proved its relative resilience over the urban which should not be a surprise. The Government's immediate response was to direct its fiscal firepower to the poorest and most vulnerable which are rural based, whilst the lockdown forced migrant workers to give up jobs in the cities and head back to the village where survival chances are greater. Additional support has come from a plentiful planting season and monsoon. GDP data for 1Q FY21, from April to June has not yet been published but is forecast to fall year-over-year for the quarter by circa 15% (in real terms). Although this represents a big fall, the contribution from agriculture will be positive. However, a pickup in both demand and supply of credit is absent despite the RBI cutting interest rates by 125 basis points in the year to date, alongside other measures to support the economy. Transmission remains weak as banks continue to park excess liquidity back with the Central Bank indicating both the appetite to lend, and the demand to borrow, still remain weak.

Covid-19 Lockdown: Impact on Consumption



Source: CMIE, IIFL

INVESTMENT MANAGER'S REPORT continued

In spite of the uncertainty that permeates, there are many reasons to be optimistic. The Government has maintained fiscal integrity in its handling of this crisis. Although the fiscal response headlined at over 10% of GDP, the incremental costs to the Exchequer were closer to 1% for this year, focusing on small business, agriculture and the poor. The fiscal deficit will expand substantially even so, as tax receipts collapse, but spending is constrained and overall Government debt levels are manageable (particularly by developed market standards), and predominantly locally financed. The current account deficit has shrunk as the value of imports, helped by lower international oil prices, have fallen more than exports and there is evidence of a pickup in import substitution, particularly in electrical equipment, which suggests a structural lowering of imported components for the long term.

Currency reserves now exceed US$500bn and continue to reach new highs, protecting the economy from external shocks and supporting the value of the Rupee. This has been a standout performer over the period, rallying 1.5% against the Pound Sterling (though 6.5% weaker versus the US Dollar), which is a big step change from previous crises when the currency collapsed, and is today the case with other developing peers. Foreign Direct Investment levels (FDI) remain very healthy, buoyed by India's largest company by market capitalisation (Reliance Industries), raising US$20bn from foreign investors in the midst of the crisis. Facebook, Google, Qualcomm and Microsoft all invested, demonstrating that India's digital consumer remains uppermost in the strategic thinking of the only industry that seems to matter. Indeed, as has been witnessed in major economies globally during the crisis, the acceleration of the digitisation of the economy, as consumers spend more time and resources online, is playing out in India as rapidly as anywhere. Here, however, the potential for sustained growth is far more exciting since smart phone penetration is low by global standards, whilst data consumption per capita is high, and incomes are forecast to rise for a generation.

Another important shift in global activity which is already benefitting India is a shift in global supply chain dependence away from China. Trade wars and COVID-19 aside, India's labour cost is now one third of China's, and we are already witnessing global corporates using India as an alternative hub, albeit in niche sectors today. India-based manufacturers of active pharmaceutical ingredients and speciality chemicals, in particular, are seeing gains in market share, as are electrical equipment makers (TVs, washing machines, mobile phones etc) now that the Government is incentivising local producers. There are multiple opportunities here and the inflection point may turn out to take several years to play out, but if the Government can do its bit, there is much to play for here.

On account of a lengthy period of underperformance in the portfolio and the resultant expansion of the share price discount to net asset value, many investors will be aware that the Board brought forward the Company's continuation vote from September to June. Inherent to the successful outcome was a commitment by the Investment Manager to deliver better performance going forwards. Indeed, this has been our particular focus for the last twelve months. We have strengthened the investment team and overhauled the investment process, following a root and branch review, adding one portfolio manager and two sector analysts. The process has been given more focus, enabling analysts to devote more time to pre-approved investible universe, leading to more objectivity to portfolio construction and a tighter sell discipline. We have chosen to close an open-ended product with a similar investment strategy in order to free up team capacity, now redeployed to the India Capital Growth portfolio. The attribution report for the period does not capture the extent of the turnaround in performance because the evidence is only recently beginning to show through. More detail is provided in the attribution report below.

ATTRIBUTION

Over the six months under review the portfolio sold seven positions and initiated on the same number. The exposure to retail banking was significantly reduced through the sale of three banks (Yes Bank, Jammu & Kashmir Bank & DCB Bank). A more diversified exposure to the broader financials sector was adopted with the purchase of a position in ICICI Lombard, a general insurance company, and Multi Commodity Exchange (MCX), the world's largest commodity exchange by volume. Both companies have benefitted from the pandemic, the former through an increase in demand for insurance products, the latter as a consequence of volatility and increased traded volume. Elsewhere the portfolio exited Manpasand Beverages, which has been a negative drag on performance, and Motherson Sumi which has seen business severely affected by the slowdown in auto demand. In addition, Radico Khaitan and Aurobindo Pharma were sold on the basis of premium valuations and profit booking. The portfolio has initiated positions in two gas companies, Gujarat Gas and Aegis Logistics, both providing exposure to the ongoing gasification of the economy on environmental grounds, at either end of the supply chain. Elsewhere, Aarti Industries, a manufacturer of speciality chemicals, is winning market share from its Chinese competition, whilst Dixon Technologies is also benefitting from an increase in domestic manufacturing of electrical equipment.

The portfolio's relative performance was pulled down by three sectors predominantly. Financials was the largest contributor driven by fears that asset quality would

INVESTMENT MANAGER'S REPORT continued

continue to be impaired as a consequence of the pandemic and investors would be required to inject additional capital. Consumer staples exposure also dragged performance lower as the sector's premium valuation was impacted by a slowdown in consumption that gained momentum as the lockdown came into force. Investee companies Bajaj Consumer Care and Kajaria Ceramics were principally responsible for the underperformance. Lastly, Tech Mahindra, the portfolio's only exposure to the IT services sector, fell sharply over the period due to the majority of its telecom related clientele being US and European based in anticipation of lower economic activity. On the positive side, the portfolio's exposure to the energy and utility sectors generated relative contribution as did the consumer discretionary sector to which the portfolio had limited exposure. At a stock level, Aurobindo Pharma was the strongest contributor as investors gravitated towards the Pharma sector over the period, with Neuland Laboratories also providing a positive return. PI Industries, a manufacturer of pesticides and at times the portfolio's largest position, delivered absolute returns in a falling market, as has the recent portfolio purchase, Gujarat Gas.

In the three months to the end of August, the portfolio has generated a positive return of over 24%, comfortably outperforming its benchmark which rose by 18%. The major driver of better performance has been a combination of new portfolio entrants (Neuland Laboratories up 119%, weighting 2.0%) and the portfolio's exposure to the cement sector (Sagar Cements up 63%, weighting 1.9%). Other stocks such as BLS Services, Skipper, Welspun India and Indusind Bank, considerable laggards in 2019, have started to recover as the market looks through the current uncertainty to a resumption of economic growth. Although admittedly it is still early days, it is reassuring to see that the changes that were made are starting to deliver better performance.

LOOKING FORWARD

At the time of writing India has reported close to 5.6m infected individuals and is closing in on the United States as the country with the highest reported number of cases. The numbers are huge, and the country as a whole is not yet seeing a flattening of the curve, but as a percentage of the total population it is low by comparison to many others. In addition, although the pandemic has spread across a wider part of the population, just five States make up the bulk of reported cases; the main cities of Mumbai and New Delhi are coming under control as these local curves start to flatten out. India's recovery rate is rising, and its fatality rate remains low (at 2%) by global averages. It would seem that some combination of a young and resilient population and a warmer climate are ensuring, for the time being at least, that India is managing better than many had predicted.

The long-term investment case for India still holds, with recent world events providing added impetus and most definitely at a time when valuations have become more attractive in many forms. Foreign investors are predominantly attracted to India by its growth prospects; it is our belief that these will soon be on the rise again and no more so than in the small and mid-cap area of the market which is the engine room of growth. This opportunity, combined with improving performance metrics deserves close consideration, and we look forward to reporting our progress six months from now.

Ocean Dial Asset Management

29 September 2020

DIRECTORS' REPORT

The Directors present their interim report and the unaudited financial statements of the Company for the period from 1 January 2020 to 30 June 2020.

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 2020, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited. The Company has an unlimited life, although a redemption facility has been put in place following the passing of a shareholders' resolution at a General Meeting on 12 June 2020. The first date at which shareholders will be able to request the redemption of some or all of their shares will be on 31 December 2021, with a record date of 30 September 2021.

INVESTMENT POLICY

The Company's investment objective is to provide long-term capital appreciation by investing in companies based in India. The investment policy permits the Company to make investments in a range of Indian equity and equity linked securities and predominantly in listed mid and small cap Indian companies with a smaller proportion in unlisted Indian companies. Investment may also be made in large cap listed Indian companies and in companies incorporated outside India which have significant operations or markets in India. While the principal focus is on investment in listed 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% of the net assets of the Company at the time of the drawdown. It is the Company's current policy not to hedge the exposure to the Indian Rupee.

The portfolio concentration ranges between 30 and 40 stocks; however, to the extent the Company grows, the number of stocks held may increase over time. The Company is subject to the following investment limitations: No more than 10% of Total Assets may be invested in the securities of any one Issuer or invested in listed closed-ended funds. The Board of Directors of the Company does not intend to use derivatives for investment purposes. The Directors confirm the investment policy of the Company has been complied with throughout the period from 1 January 2020 to 30 June 2020.

RESULTS AND DIVIDENDS

The Company's performance during the period is discussed in the Investment Manager's report.

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

Consistent with the Company's investment policy of providing long term capital appreciation, the Directors do not recommend the payment of a dividend for the period ended 30 June 2020 (2019: £nil).

GOING CONCERN

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects developing with companies across multiple industries and the world. The Company will continue to monitor the impact COVID-19 has on them and reflect the consequences as appropriate in its accounting and reporting. The Investment Manager made an assessment of the Company's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements.

Given the Company's previous performance, the Directors proposed a continuation ordinary resolution at the Extraordinary General Meeting in June rather than at the Annual General Meeting in September as initially envisaged. At the Extraordinary General Meeting held on 12 June 2020, the Shareholders approved an Ordinary Resolution that the Company continue as currently constituted and introduced a redemption facility which gives the ordinary shareholders on record on the 30 September 2021 the ability to redeem part or all of their shareholding at the first redemption point on 31 December 2021 at an exit discount equal to a maximum of 6% of NAV. There is therefore a possibility that redemption requests may impair the future viability of the Company. Due to the above, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern. In an attempt to mitigate the potential for large redemptions, the Investment Management team in Mumbai has been substantially strengthened at both the Senior Management and analyst level which, together with a complete review of the investment management process, has resulted in a number of changes in the portfolio which are already having a positive effect on performance.

DIRECTORS' REPORT (continued)

Notwithstanding the uncertainty over the potential redemptions, the Directors are satisfied that the Company has sufficient liquid resources to continue in business for the foreseeable future therefore the financial statements have been prepared on a going concern basis.

SUBSTANTIAL INTERESTS

Shareholders who have reported they held an interest of 3% or more of the Ordinary Share Capital of the Company at 31 August 2020 are stated in the table below:

	Number of shares	% holding
Lazard Asset Management	22,406,474	19.92%
Hargreaves Lansdown	10,740,098	9.55%
Interactive Investor	5,780,232	5.14%
Premier Miton	4,794,032	4.26%
Charles Stanley	4,756,112	4.23%
Armstrong Investments	4,200,000	3.73%
EFG Harris Allday	3,707,448	3.30%
City of London Investment Management	3,401,573	3.02%

DIRECTORS

The names of the Directors of the Company are set out on page 1. Patrick Firth was appointed as Director and Chairman of the Audit Committee and John Whittle stood down from the Board at the Annual General Meeting of the Company held on 25 September 2020.

DIRECTORS' INTERESTS

At 30 June 2020, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary shares 30.06.20	Ordinary shares 30.06.19	Ordinary shares 31.12.19
Elisabeth Scott	50,000	10,000	25,000
Peter Niven	37,500	37,500	37,500
John Whittle	30,000	30,000	30,000

ONGOING CHARGES

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the ongoing charges ratio ("OCR") of the Company and its subsidiary for the period ended 30 June 2020 was 1.79% based on an average AUM of £80,548,000 (30 June 2019: 1.99% based on an average AUM of £110,822,000 and 31 December 2019: 1.85% based on an average AUM of £106,596,000).

Approved by the Board of Directors and signed on behalf of the Board on 29 September 2020.

Peter Niven **Elisabeth Scott**

RESPONSIBILITY STATEMENT OF THE DIRECTORS

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge::

- the half-yearly financial report and Unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting; and
- the half-yearly financial report and Unaudited Condensed Interim Financial Statements (including the Investment Manager's Report) meet the requirements of an interim management report and include a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board by:

Peter Niven **Elisabeth Scott**

29 September 2020

PRINCIPAL INVESTMENTS

AS AT 30 JUNE 2020

HOLDING	Market cap size[1]	Sector	Value £000	% of company NAV
PI Industries	M	Materials	4,631	5.9%
Divi's Laboratories	L	Healthcare	4,426	5.6%
Federal Bank	S	Financials - Banks	4,121	5.2%
Gujarat Gas	M	Utilities	3,674	4.6%
Jyothy Laboratories	S	Consumer Staples	3,138	4.0%
Balkrishna Industries	M	Consumer Discretionary	3,020	3.8%
Emami	S	Consumer Staples	2,930	3.7%
Bajaj Consumer Care	S	Consumer Staples	2,838	3.6%
JK Lakshmi Cement	S	Materials	2,754	3.5%
CCL Products India	S	Consumer Staples	2,703	3.4%
Berger Paints India	M	Materials	2,691	3.4%
Multi Commodity Exchange	S	Financials - Diversified	2,673	3.4%
Tech Mahindra	M	Information Technology	2,609	3.3%
Kajaria Ceramics	S	Industrials	2,590	3.3%
Finolex Cables	S	Industrials	2,371	3.0%
Skipper	S	Industrials	2,285	2.9%
City Union Bank	S	Financials - Banks	2,227	2.8%
Aegis Logistics	S	Energy	2,184	2.8%
Welspun India	S	Consumer Discretionary	2,155	2.6%
ICICI Lombard Gen Ins	L	Financials - Insurance	2,126	2.6%
Total top 20 portfolio investments			**58,146**	**73.4%**

1 Market capitalisation size definitions:

L: Large cap – companies with a market capitalisation above US$7bn

M: Mid cap – companies with a market capitalisation between US$2bn and US$7bn

S: Small cap – companies with a market capitalisation below US$2bn

Investments may be held by the Company and its Mauritian subsidiary, ICG Q Limited.

PORTFOLIO STATEMENT

AS AT 30 JUNE 2020

HOLDING	Market cap size[1]	Nominal	Value £000	% of company NAV
LISTED SECURITIES				
Consumer Discretionary				
Balkrishna Industries	M	222,000	3,020	3.8%
Dixon Technologies	S	4,008	249	0.2%
Exide Industries	S	1,215,336	1,944	2.5%
Welspun India	S	5,384,105	2,155	2.7%
			7,368	9.2%
Consumer Staples				
Bajaj Consumer Care	S	1,800,000	2,838	3.6%
CCL Products India	S	1,068,000	2,703	3.4%
Emami	S	1,230,000	2,930	3.7%
Jyothy Laboratories	S	2,475,000	3,138	4.0%
			11,609	14.7%
Energy				
Aegis Logistics	S	1,147,000	2,184	2.8%
			2,184	2.8%
Consumer staples				
City Union Bank	S	1,702,000	2,227	2.8%
Federal Bank	S	7,488,862	4,121	5.2%
IDFC Bank	S	6,950,000	1,927	2.4%
Indusind Bank	M	410,700	2,104	2.7%
			10,379	13.1%
Financials - diversified				
Multi Commodity Exchange	S	193,000	2,673	3.4%
			2,673	3.4%
Financials - insurance				
ICICI Lombard Gen Ins	L	155,559	2,126	2.7%
			2,126	2.7%
Healthcare				
Divi's Laboratories	L	180,000	4,426	5.6%
Neuland Laboratories	S	250,000	1,555	2.0%
			5,981	7.6%

PORTFOLIO STATEMENT

HOLDING	Market cap size[1]	Nominal	Value £000	% of company NAV
Industrials				
Finolex Cables	S	770,000	2,371	3.0%
Kajaria Ceramics	S	611,847	2,590	3.3%
PSP Projects	S	396,307	1,667	2.1%
Skipper	S	5,473,310	2,285	2.9%
			8,913	11.3%
IT				
BLS International Services	S	894,650	628	0.8%
Tech Mahindra	M	445,000	2,609	3.3%
			3,237	4.1%
Materials				
Aarti Industries	M	205,000	2,060	
Berger Paints India	M	505,000	2,691	
Essel Propack	S	735,075	1,427	
JK Lakshmi Cement	S	1,008,979	2,754	
PI Industries	M	285,434	4,631	
Ramkrishna Forgings	S	678,466	1,192	
Sagar Cements	S	365,000	1,317	
The Ramco Cements	S	270,000	1,850	
			17,922	
Real estate				
Arihant Foundations & Housing	S	592,400	102	
			102	
Utilities				
Gujarat Gas	M	1,070,000	3,674	
			3,674	
Total equity investments			**76,168**	
Cash less other net current liabilities			3,057	
Total Net Assets			**79,225**	

1 Market capitalisation size definitions:	
L: Large cap – companies with a market capitalisation above US$7bn	8.3%
M: Mid cap – companies with a market capitalisation between US$2bn and US$7bn	26.2%
S: Small cap – companies with a market capitalisation below US$2bn	61.6%
	96.1%
Cash less other net current liabilities	3.9%
	100.0%

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT REVIEW REPORT TO INDIA CAPITAL GROWTH FUND LIMITED

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed statement of comprehensive income, condensed statement of financial position, condensed statement of changes in equity, condensed statement of cash flows and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 in the financial statements. The June 2020 Extraordinary General Meeting introduced a redemption facility which gives the ordinary shareholders the right to request on 30 September 2021 the redemption of part or all of their shareholding at the first redemption point on 31 December 2021. If there was a substantial number of redemptions, this may impair the future viability of the Company. As stated in note 1, these events or conditions, indicate that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

USE OF OUR REPORT

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor
Guernsey

29 September 2020

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS TO 30 JUNE 2020

	Notes	Revenue £000	Capital £000	Unaudited Six months to 30.06.20 Total £000	Unaudited Six months to 30.06.19 Total £000	Audited Year to 31.12.19 Total £000
Income						
Dividend income		15	-	**15**	-	-
Net loss on financial asset at fair value through profit or loss	5	-	(20,049)	**(20,049)**	(4,962)	(14,220)
Total income		15	(20,049)	**(20,034)**	(4,962)	(14,220)
Expenses						
Operating expenses	3	(194)	-	**(194)**	(248)	(431)
Foreign exchange loss		(46)	-	**(46)**	(1)	(129)
Investment management fees		(42)	-	**(42)**	-	(13)
Transaction costs		(21)	-	**(21)**	-	(9)
Total expenses		(303)	-	**(303)**	(249)	(582)
Loss for the period/year before taxation		(288)	(20,049)	**(20,337)**	(5,211)	(14,802)
Taxation	6	-	-	**-**	-	-
Loss for the period/year after taxation		(288)	(20,049)	**(20,337)**	(5,211)	(14,802)
Loss per Ordinary Share (pence)	4			**(18.08)**	(4.63)	(13.16)
Fully diluted loss per Ordinary Share (pence)	4			**(18.08)**	(4.63)	(13.16)

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with IFRS as adopted by the EU. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies, as disclosed in the Basis of Preparation in Note 1.

The loss 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 notes on pages 18 to 25 form part of these financial statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	Unaudited 30.06.20 £000	Unaudited 30.06.19 £000	Audited 31.12.19 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	5	**78,434**	109,095	95,887
Current assets				
Cash and cash equivalents		**713**	109	3,716
Other receivables and prepayments		**234**	175	153
		947	284	3,869
Current liabilities				
Payables	7	**(156)**	(226)	(194)
Net current assets		**791**	58	3,675
Net assets		**79,225**	109,153	99,562
Equity				
Ordinary share capital	9	**1,125**	1,125	1,125
Reserves		**78,100**	108,028	98,437
Total equity		**79,225**	109,153	99,562
Number of Ordinary Shares in issue	9	**112,502,173**	112,502,173	112,502,173
Net Asset Value per Ordinary Share (pence) - Undiluted and diluted		**70.42**	97.02	88.50

The unaudited financial statements on pages 14 to 25 were approved by the Board of Directors on 29 September 2020 and signed on its behalf by:

Peter Niven **Elisabeth Scott**

The notes on pages 18 to 25 form part of these financial statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

	Notes	Share capital £000	Capital reserve £000	Revenue reserve £000	Share premium £000	Total £000
Balance as at 1 January 2020		1,125	14,193	(10,524)	94,768	99,562
Loss on investments	5	-	(20,049)	-	-	(20,049)
Revenue loss for the period after taxation		-	-	(288)	-	(288)
Balance as at 30 June 2020		**1,125**	**(5,856)**	**(10,812)**	**94,768**	**79,225**

FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

	Notes	Share capital £000	Capital reserve £000	Revenue reserve £000	Share premium £000	Total £000
Balance as at 1 January 2019		1,125	28,413	(10,524)	95,350	114,364
Loss on investments	5	-	(4,962)	-	-	(4,962)
Revenue loss for the period after taxation		-	-	(249)	-	(249)
Balance as at 30 June 2019		1,125	23,451	(10,773)	95,350	109,153

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019 (AUDITED)

	Notes	Share capital £000	Capital reserve £000	Revenue reserve £000	Share premium £000	Total £000
Balance as at 1 January 2019		1,125	28,413	(10,524)	95,350	114,364
Loss on investments	5	-	(14,220)	-	-	(14,220)
Revenue loss for the period after taxation		-	-	-	(582)	(582)
Balance as at 31 December 2019		1,125	14,193	(10,524)	94,768	99,562

The notes on pages 18 to 25 form part of these financial statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited 30.06.20 £000	Unaudited 30.06.19 £000	Audited 31.12.19 £000
Cash flows from operating activities			
Operating loss	**(20,337)**	(5,211)	(14,802)
Adjustment for:			
Net loss on financial asset at fair value through profit or loss	**20,049**	4,962	14,220
Foreign exchange losses	**46**	1	129
(Increase)/decrease in receivables	**(81)**	31	53
(Decrease)/increase in payables	**(38)**	14	(18)
Cash flow used in operating activities	**(361)**	(203)	(418)
Cash flows from investing activities			
Acquisition of investments	**(7,019)**	-	(3,650)
Disposal of investments	**4,423**	300	7,900
	(2,596)	300	4,250
Net (decrease)/increase in cash and cash equivalents during the period/year	**(2,957)**	97	3,832
Cash and cash equivalents at the start of the period/year	**3,716**	13	13
Foreign exchange losses	**(46)**	(1)	(129)
Cash and cash equivalents at the end of the period/year	**713**	109	3,716

The notes on pages 18 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 30 JUNE 2020

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and, except as described below, the accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2019.

The condensed financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2019, which were prepared under full IFRS requirements.

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 do not have any material effect on the Company's operations or the unaudited financial statements:-

Standards, interpretations and amendments to published statements effective but not material to the financial statements

The following standards are effective for the first time for the financial period beginning 1 January 2020 and are relevant to the Company's operations:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with negative compensation (Amendments to IFRS 9)
- Annual Improvements to IFRSs 2015–2017 Cycle
- Long- term Interests in Associates and Joint Ventures (Amendments to IAS 28)

The following standards and amendments have been issued and are mandatory for accounting periods beginning on or after 1 January 2020 but are not relevant or have no material effect on the Company's operations or financial statements:

- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Other standards in issue, but not yet effective, are not expected to have a material effect on the financial statements of the Company in future periods and have not been disclosed.

Going concern

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects developing with companies across multiple industries and the world. The Company will continue to monitor the impact COVID-19 has on them and reflect the consequences as appropriate in its accounting and reporting. The Investment Manager made an assessment of the Company's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements. At an Extraordinary General Meeting held on 12 June 2020, the Shareholders approved an Ordinary Resolution that the Company continue as currently constituted and introduced a redemption facility which gives the ordinary shareholders on record on the 30 September 2021 the ability to redeem part or all of their shareholding at the first redemption point on 31 December 2021 at an exit discount equal to a maximum of 6% of NAV. There is therefore a possibility that redemption requests may impair the future viability of the Company. Due to the above, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern. In an attempt to mitigate the potential for large redemptions, the Investment Management team in Mumbai has been substantially strengthened at both the Senior Management and analyst level which, together with a complete review of the investment management process, has resulted in a number of changes in the portfolio which are already having a positive effect on performance. Notwithstanding the uncertainty over the potential redemptions, the Directors are satisfied that the Company has sufficient liquid resources to continue in business for the foreseeable future therefore the financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

IFRS require management to make judgements, 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 judgements 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 in note 11. In relation to the valuation of the unlisted investment, actual results may differ from the estimates. It is management's judgement that the Net Asset Value (NAV) of ICG Q Limited is an appropriate proxy for fair value as the Company can control the sale of the subsidiary's investments which are all listed on stock exchanges in India and therefore are mostly regarded as highly liquid. These are unchanged from the statutory accounts of the Company for the year ended 31 December 2019.

The principal risks and uncertainties of the Company are in relation to performance risk, market risk, relationship risk and operational risk. These are unchanged from 31 December 2019, and further details may be found in the Directors' Strategic Report within the Annual Report and Audited Consolidated Financial Statements of the Company for the year ended 31 December 2019. The Directors will continue to assess the principal risks and uncertainties relating to the Company for the remaining six months of the year but expect these to remain unchanged.

3. OPERATING EXPENSES

	Unaudited Six months to 30.06.20 £000	Unaudited Six months to 30.06.19 £000	Audited Year to 31.12.19 £000
Administration and secretarial fees	**22**	22	43
Audit fee	**15**	30	30
Broker fee	**15**	16	31
Directors' fees	**44**	44	88
D&O insurance	**3**	3	6
General expenses	**17**	40	84
Other professional fees	**27**	23	12
Marketing expenses	**36**	57	111
Registrar fee	**3**	3	6
Regulatory fees	**12**	10	20
	194	248	431

4. EARNINGS PER SHARE

Loss per Ordinary Share and the fully diluted loss per share are calculated on the loss for the period of £20,337,000 (2019 – £5,211,000) divided by the weighted average number of Ordinary Shares of 112,502,173 (2019 – 112,502,173).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise of investments in securities listed on Indian stock markets, namely the National Stock Exchange or the Bombay Stock Exchange, as well as investment in the wholly-owned subsidiary, ICG Q Limited.

A summary of movements is as follows:

	Unaudited Six months to 30.06.20 Total £000	Unaudited Six months to 30.06.19 Total £000	Audited Year to 31.12.19 Total £000
Fair value at beginning of year	**95,887**	114,357	114,357
Disposal of investments	**(4,423)**	(300)	(7,900)
Acquisition of investments	**7,019**	-	3,650
Realised (loss)/gain on disposal of investments	**(1,355)**	190	4,683
Unrealised loss on revaluation	**(18,694)**	(5,152)	(18,903)
Fair value at end of period/year	**78,434**	109,095	95,887

The net realised and unrealised losses totalling £20,049,000 (2019: £4,962,000) on financial assets at fair value through profit and loss comprise of losses on the Company's holding in ICG Q Limited to the extent of £17,088,000 (2019: £4,962,000) and losses of £2,963,000 (2019: £Nil) arising from investments in securities listed on Indian stock markets. The movement arising from the Company's holding in ICG Q Limited is driven by the following amounts within the financial statements of ICG Q Limited, as set out below:

	Unaudited Six months to 30.06.20 Total £000	Unaudited Six months to 30.06.19 Total £000	Audited Year to 31.12.19 Total £000
Dividend income	**497**	81	783
Other income	**-**	-	-
Unrealised losses on financial assets at fair value through profit and loss	**(16,467)**	(7,831)	(17,969)
Realised (loss)/gain on disposal of investments	**(2,023)**	2,515	4,585
Investment management fee	**(460)**	(825)	(1,459)
Operating expenses	**(35)**	(37)	(69)
Taxes	**(6)**	(2)	(38)
Transaction costs	**(70)**	(23)	(94)
Foreign exchange gains/(losses)	**1,476**	1,160	(3)
Net loss of ICG Q Limited	**(17,088)**	(4,962)	(14,264)

The equity investment represents holdings in listed securities in India and in 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. As described in the statutory accounts of the Company for the year ended 31 December 2019, the Company qualifies as an investment entity under IFRS 10. It therefore does not consolidate its investment in ICG Q Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION

Guernsey

India Capital Growth Fund Limited is exempt from taxation in Guernsey on non-Guernsey sourced income. The Company is exempt under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended) and paid the annual exemption fee of £1,200.

For the period ended 30 June 2020, the Company had a tax liability of £nil (2019: £nil).

7. PAYABLES

	Unaudited Six months to 30.06.20 Total £000	Unaudited Six months to 30.06.19 Total £000	Audited Year to 31.12.19 Total £000
Other payables and accruals	**156**	226	194
	156	226	194

8. 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 Interim Report to disclose the underlying information.

9. SHARE CAPITAL

Authorised Share Capital

Unlimited number of Ordinary Shares of £0.01 each

Issued share capital	Number of shares	Share capital £000
At 30 June 2020	**112,502,173**	**1,125**
At 30 June 2019	112,502,173	1,125
At 31 December 2019	112,502,173	1,125

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 2020 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	**5,702**	**-**	**-**	**5,702**
Unlisted securities	**-**	**72,732**	**-**	**72,732**
	5,702	**72,732**	**-**	**78,434**

The analysis as 30 June 2019 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unlisted securities	-	109,095	-	109,095

The analysis as at 31 December 2019 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	3,694	-	-	3,694
Unlisted securities	-	92,193	-	92,193
	3,694	92,193	-	95,887

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. All the underlying investments of ICG Q Limited are categorised as level 1 at 30 June 2020 and 2019. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. FINANCIAL INSTRUMENTS AND RISK PROFILE

The primary objective of the Company 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. The portfolio of investments comprises of listed Indian companies, predominantly mid cap and small cap.

The specific risks arising from exposure to these instruments and the Investment Manager's policies for managing these risks, which have been applied throughout the period, 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 2020, 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.

Market Risk

Market price risk arises mainly from the uncertainty about future prices of the financial instrument held by the Company and its subsidiary, ICG Q Limited ("the Group"). It represents the potential loss the Group may suffer through holding market positions in the face of price movements.

The Group'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. The Group's investment portfolio is concentrated and, as at 30 June 2020, comprised investment in less than 35 companies. Thus, the Group has higher exposure to market risk in relation to individual stocks than more broadly spread portfolios.

The Group's investment portfolio consists predominantly of mid cap 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 Total Return Index provides a better (but not ideal) indicator of the effect of market price risk on the portfolio. Assuming perfect correlation, the sensitivity of the Group's investment portfolio to market price risk can be approximated by applying the percentage of funds invested (2020: 88.94%; 2019: 92.68%) to any movement in the BSE Mid Cap Total Return Index. At 30 June 2020, with all other variables held constant, this approximation would produce a movement in the net assets of the Group's investment portfolio of £7,047,000 (2019: £10,117,000) for a 10% (2019: 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 and its investments.

Foreign currency risk

Foreign currency risk arises mainly from the fair value or future cash flows of the financial instruments held by the Group fluctuating because of changes in foreign exchange rates. The Group's investment portfolio comprises of 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 the Group's investment portfolio is the Rupee. The Group's policy is not to hedge the Rupee exposure.

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

At 30 June 2020, if the Indian Rupee had strengthened or weakened by 10% (2019: 10%) against Sterling with all other variables held constant, pre-tax profit for the period would have been £7,256,000 (2019: £10,901,000) 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, the consequent impact on the fair value of the Company's investment in ICG Q Limited and in the Company's investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial instruments and risk profile continued

Credit risk

Credit risk arises mainly from an issuer or counterparty being unable to meet a commitment that it has entered into with the Group. 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 are in relation to cash held by the custodian. Kotak Mahindra Bank Limited ("Kotak") acts as the custodian to the Group. The aggregate exposure to Kotak at 30 June 2020 was £2,341,000 (2019: £8,048,000).

Kotak acted as custodian of the Group's assets during the period. The securities held by Kotak as custodian are held in trust and are registered in the name of the Group. Kotak has a credit rating of AAA.

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 arises mainly from the Group encountering difficulty in realising assets or otherwise raising funds to meet financial commitments. As the trading volume on the Indian stock markets is lower than that of more developed stock exchanges the Group may be invested in relatively illiquid securities. The Group has no unlisted securities and its focus is to invest predominantly in mid and small cap listed stocks. However, there remain holdings where there is relatively little market liquidity, which may take time to realise. The Directors do not believe that the market is inactive enough to warrant a discount for liquidity risk on the Group's investment portfolio. As at 30 June 2020 the ICG F and ICG Q portfolios are considered to be liquid.

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 investment portfolio at the prevailing market price and the distribution of proceeds back to the Company should it so wish.

All liabilities are current and due on demand.

Taxation risk

Taxation risk arises mainly from the taxation of income and capital gains of ICG Q Limited and the Company increasing as a result of changes in the tax regulations and practice in Guernsey, Mauritius and India. The Company and ICG Q Limited are registered with the Securities and Exchange Board of India ("SEBI") as a foreign portfolio investor ("FPI") with a Category I licence, and ICG Q Limited holds a Category 1 Global Business Licence in Mauritius and has obtained a Mauritian Tax Residence Certificate ("TRC") which have been factors in determining its resident status under the India-Mauritius Double Taxation Avoidance Agreement ("DTAA") and General Anti Avoidance Rules ("GAAR") under the Income Tax Act 1961 ("ITA").

However, with effect from April 2017, the DTAA was amended such that the advantages of investing in India via Mauritius were removed and capital gains arising from investments in Indian companies are subject to Indian Capital Gains Tax regulations. Consequently, tax on short term capital gains (for investments held less than 12 months) of 15% and long-term capital gains (for investments held for 12 months or longer) of 10% apply to the investment portfolio.

The Group seeks to minimise the impact of these changes in the taxation rates applicable to its capital gains by maintaining its investment strategy of investing in a concentrated portfolio for long term capital appreciation. There is no capital gains tax accrual at 30 June 2020 (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

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 is £35,000 per annum, to Peter Niven is £25,000 per annum and to John Whittle is £28,000 per annum.

The Investment Manager is entitled to receive a management fee payable jointly by the Company and its subsidiary equivalent to 1.25% per annum of Total Assets, calculated and payable monthly in arrears. The Investment Manager earned £502,000 in management fees during the six months ended 30 June 2020 (six months ended 30 June 2019: £826,000 and year ended 31 December 2019: £1,472,000) of which £81,000 was outstanding at 30 June 2020 (30 June 2019: £135,000 and 31 December 2019: £106,000).

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. The Administrator earned £22,000 for administration and secretarial services during the six months ended 30 June 2020 (six months ended 30 June 2019: £22,000 and year ended 31 December 2019: £43,000) of which £7,500 was outstanding at 30 June 2020 (30 June 2019: £3,000 and 31 December 2019: £16,300).

13. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 30 June 2020 and the date of approving these financial statements.

14. SUBSEQUENT EVENTS

There have been no material events since the end of the reporting period which would require disclosure or adjustment to the financial statements for the period ended 30 June 2020.

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