India Capital Growth Fund
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St. Peter Port
Guernsey GY1 2HL

www.indiacapitalgrowth.com

India Capital
GROWTH FUND

India Capital
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Annual Report & Audited Financial Statements

2021

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

MANAGEMENT & ADMINISTRATION

DIRECTORS
Elisabeth Scott (Chair)
Peter Niven
Patrick Firth
Lynne Duquemin (Appointed on 28 May 2021)

REGISTERED OFFICE
1 Royal Plaza
Royal Avenue
St. Peter Port
Guernsey GY1 2HL

INVESTMENT MANAGER
Ocean Dial Asset Management Limited
13-14 Buckingham Street
London WC2N 6DF

ADMINISTRATOR AND SECRETARY
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St. Peter Port
Guernsey GY1 2HL

CUSTODIAN
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Bandra Kurla Complex
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Mumbai 400 051 India

BROKER
Shore Capital Stockbrokers Limited
Cassini House
57-58 St James's Street
London SW1A 1LD

REGISTRAR
Neville Registrars Limited
Neville House
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Halesowen
Birmingham B62 8HD

INDEPENDENT AUDITOR
Deloitte LLP
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3HW

CHAIR'S STATEMENT

2021 saw investors return to emerging markets with optimism that the woes of COVID were coming to an end with the deployment of vaccines and a greater understanding of the economic impact of the pandemic. This was illustrated by the impact of the second COVID wave suffered by India in April and May 2021, when, unlike the first major wave, economic activity was maintained, tax collections hit an all time high and fiscal discipline was maintained.

PERFORMANCE

Your Company reported strong absolute returns with the Net Asset Value (NAV) rising by 37.9% over the year and the share price by 42.7%. However, the Company's NAV underperformed its benchmark, the BSE MidCap Total Return Index, which rose by 39.7% over the same period. The underperformance can be explained by the recognition of the potential Capital Gains tax liability in the calculation of the NAV, equivalent to reducing the NAV by approximately 2.4%. Mid and small cap stocks outperformed large cap companies over the period.

The Investment Manager's Review will provide more detail on the Company's portfolio but I am pleased to report that the Manager's long term active style is benefiting performance. A number of stocks that have been present in the portfolio for some years, such as Welspun India and Ramkrishna Forgings, were key positive contributors.

REDEMPTION FACILITY

31 December 2021 saw the first redemption point at which shareholders in the Company could request redemption of part or all of their shareholding at an exit discount of 6%. Shareholders were reminded of this in the Interim Report and again in market announcements in early December. 15.6m shares were redeemed, representing 13.9% of shares in the Company.

The second redemption point will be on 31 December 2023. The Board has announced that the exit discount at this redemption point will be no more than 3%.

Further details of the Redemption Facility are available in the Redemption Facility EGM Circular dated 26 May 2020 which you can access in the Investor Relations/ Official Documents section of our website at www.indiacapitalgrowth.com.

DISCOUNT

The Company's share price discount to NAV began the period at 14.1% and closed the period at 11.1% as was expected as a consequence of the redemption point at year end.

In October the Board announced that it intended to use the authority given to it by shareholders to repurchase shares when it believes that the discount is inappropriately wide, unless in volatile conditions. Over the period 412,444 shares were repurchased and since the year end, a further 80,201 shares have been repurchased. The Board believes that it is in shareholders' interests that the Company's share price should more closely reflect the value of the Company's investments. The Board works with the Company's broker, Shore Capital, in this regard.

BOARD MATTERS

The Board continued to hold meetings virtually during 2021 as COVID frustrated efforts to meet in person. We do expect to be able to meet in person and with representatives of the Investment Manager and our other service providers at our meetings in 2022.

The Company is a member of the Association of Investment Companies and seeks to follow best practice regarding appropriate disclosure and governance. The governance principles that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and treats all shareholders equally. All shareholders are encouraged to have an open dialogue with the Board throughout the year, and the Board can be contacted via our website or the Company Secretary.

We welcomed Lynne Duquemin to the Board in May 2021. As you will read in her biography later in this report, Lynne is an experienced financial services professional, based in Guernsey, and she has already demonstrated her considerable expertise in her contribution to the Board thus far.

Peter Niven will retire from the Board at the AGM. We have engaged a reputable recruitment firm, Fletcher Jones, to help us to identify his successor, whom we expect to have experience of investing in India and emerging markets in general.

INVESTMENT MANAGER

Ocean Dial continues to invest in its fund management team based in Mumbai, with two experienced fund managers (Gaurav Narain and Tridib Pathak) heading the team, which includes five analysts. If you would like to see examples of the team's research output, I would refer you to the House of Ocean Dial (HOOD) section of the Company's website, where you can read research notes written by the team on individual holdings in the Company's portfolio.

The Board engages with Ocean Dial's parent company, Avendus, regularly.

SUSTAINABILITY AND ESG MATTERS

Sustainability and ESG matters are covered in more detail later in this report. However, I thought I should highlight the Board recognises its responsibilities for reporting on ESG and intends to progress towards compliance with the Listing Requirements to report on the four pillars of

CHAIR'S STATEMENT continued

Governance, Strategy, Risk Management and Metrics & Targets with the assistance and support of the Investment Manager, upon whom the Board is reliant to deliver this ESG reporting of the Company. Further details of the Company's approach to ESG can be found on the Company's website (https://www.indiacapitalgrowth.com/about/esg/).

INVESTOR RELATIONS

The programme of shareholder engagement which began in earnest during 2020 has continued in 2021. Ocean Dial has conducted a number of webinars for current and prospective shareholders during the year and the Board has been pleased with the level of engagement from shareholders. We have made considerable efforts to get in touch with shareholders who hold their shares via platforms and encourage any shareholder to get in touch with us via the Company's website or the Company Secretary if you would like to receive notice of upcoming events.

The Company has presented at a number of investor events hosted by publications, platforms and wealth management companies.

The Company retains the services of a PR agency. With their help, the Company has appeared in more than 30 articles in the UK press, podcasts and webinars. The Board believes that this is an effective mechanism for drawing attention to the Company, encouraging prospective shareholders to buy shares and, in the long term, to improve the discount at which the Company's shares trade.

OUTLOOK

As I write this, the Russian invasion of Ukraine has seen the world turned upside down. While India seems far away from the conflict, the mood of investors has been to reduce exposure to emerging markets and to take risk off the table. Of course, the Indian equity market has fallen as a result.

The growth orientated budget introduced by the Indian Government in February 2021 had been bearing fruit and as a result earnings estimates were being upgraded during much of 2021. It was Ocean Dial's expectation that this would continue into 2022, but the recent rise in the oil price is likely to have a negative effect on Company profitability.

Nonetheless, the Board believes that, particularly in this uncertain environment, the Company's focus on high quality companies with strong management capabilities and a clear path to growth will generate positive investment returns over time.

Thank you for your support over the past year.

Elisabeth Scott | **Chairman**
18 March 2022

INVESTMENT MANAGER'S REPORT

INTRODUCTION

2020 was a good year for investors in India, but 2021 was better still.

Since the pandemic caused human suffering and economic uncertainty in India at a level unmatched elsewhere, the extent of the rally has been surprising but welcome.

In 2021 the Company's net asset value rose 37.9% (10.4% in 2020), whilst its index (S&P BSE Midcap Total Return) rose 39.7%, (13.9% in 2020). Emerging Markets as a whole (MSCI EM GBP) fell 1.5% in 2021, further highlighting India's strong showing. Poor equity performance in China played a supporting role.

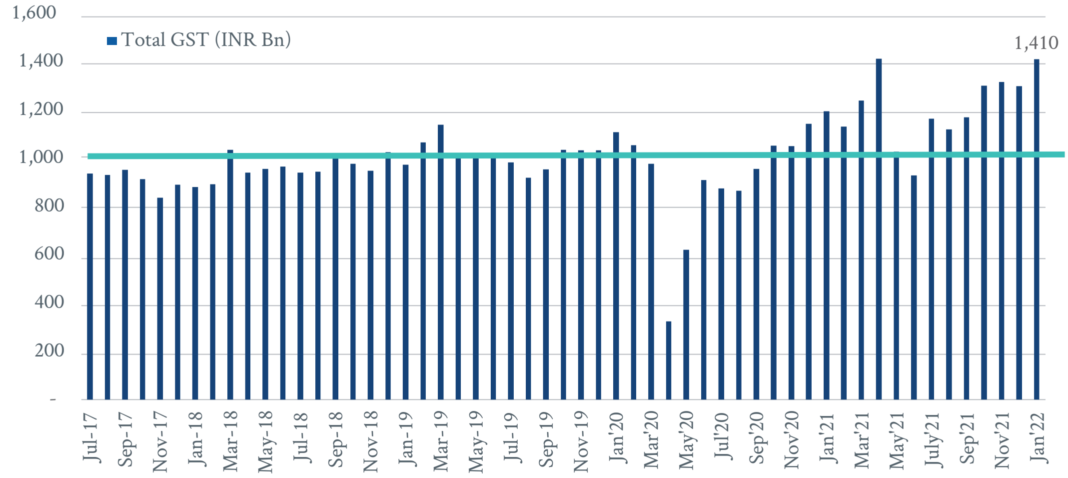
One explanation for the performance is the tendency of equity markets to mean revert. Because India fared poorly in both 2018 and 2019, a combination of poor sentiment, oversold markets, and global central bank infused liquidity was enough to cause equities to surprise on the upside. A more encouraging explanation is that investors are coming round to the view that India's macro economy is demonstrating more resilience in the face of global market volatility, and this is feeding into corporate and consumer confidence. The recent performance has favoured midcap companies which would imply that, although easy liquidity has supported the market generally, investors in India are anticipating the long-awaited economic recovery.

Midcap vs Large Cap

Source: Ocean Dial Asset Management, Bloomberg

Modi's economic restructuring plan has been ongoing since the 2015 demonetisation experience. It has been extensive and disruptive for both growth and profitability as the transformation from a patronage-based system to a rules-based equivalent beds in. Owing to uncertainty surrounding this change, corporate India had been reluctant to invest, choosing instead to reduce debt and cut costs. Implementation of reforms such as Goods & Services Tax and Insolvency & Bankruptcy Act was poor, bureaucrats overwhelmed by the size of the challenge and the vested interests of crony capitalists, whilst chief executives were reluctant to expand operations over fears of what was coming next. Banks added little to support economic activity given the extensive clean-up of asset quality and tighter regulations that was forced upon them. In addition, inflation targeting policies (between 2%-6%) led to an extended period of high real rates which also blunted growth. Capping farming subsidies dented rural consumption but supported the journey to lower inflation.

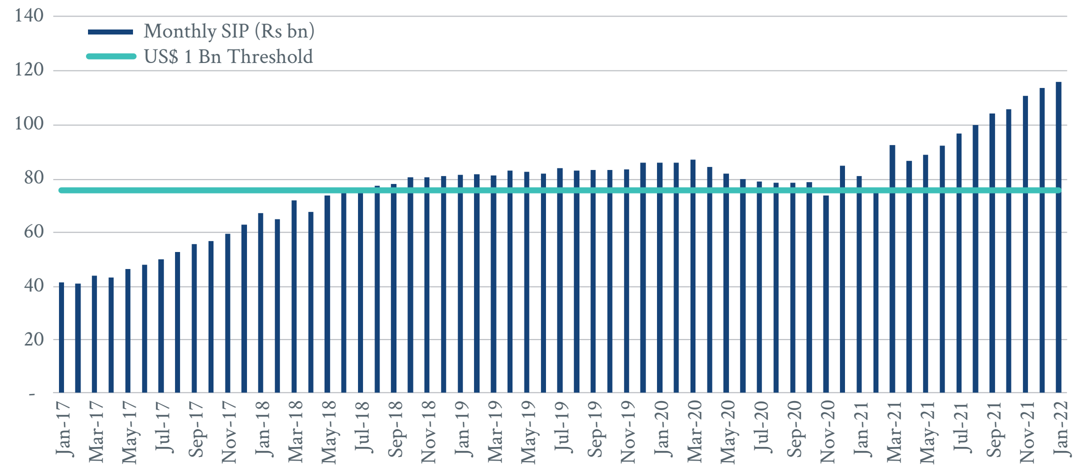
INVESTMENT MANAGER'S REPORT continued



Source: GST council, GOI

Although there has been a cost to short-term growth, Modi's restructuring agenda has been successful.

Inflation has fallen to within the target range, bond yields have come down, whilst currency reserves have risen to over US$650bn, the fifth highest globally. India's current account deficit has been brought under control, and exports have started to grow as the country takes better advantage of its competitive positioning. Indian families are switching savings away from real assets (gold and real estate) and into financial products including equities, providing much needed support for the market, as foreign investors concentrated their firepower on China.

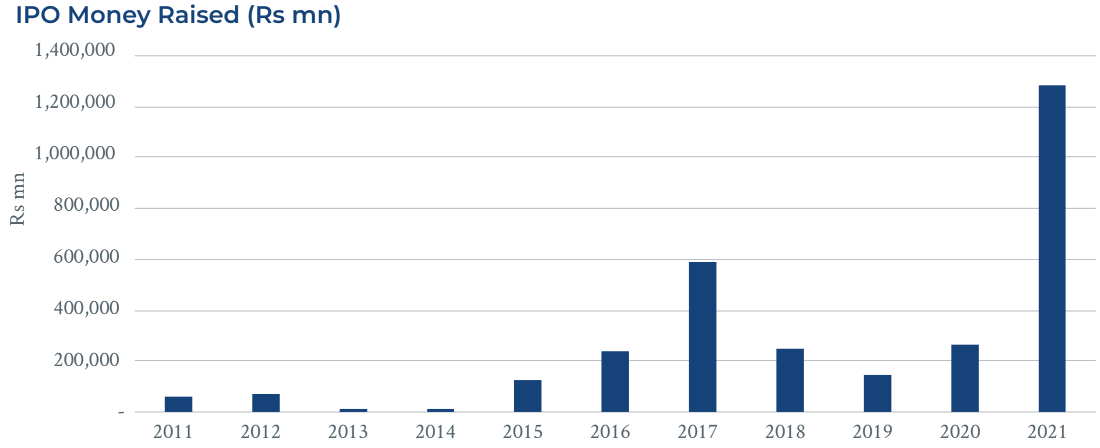


Source: Ocean Dial Asset Management, AMFI

A further upshot of these measures was that the economy showed unexpected resilience throughout the pandemic. Earlier reluctance to expand ensured companies coped well, whilst the banking system reported minimal additional stress, since the clean-up was largely behind. Consumption held up on the back of strong agricultural prices supporting rural incomes and the onset of online shopping, comfortably exceeding expectations. This resilience gave the government the confidence to switch its core policies from reform to growth, supporting the private sector to step up investment spending.

INVESTMENT MANAGER'S REPORT continued

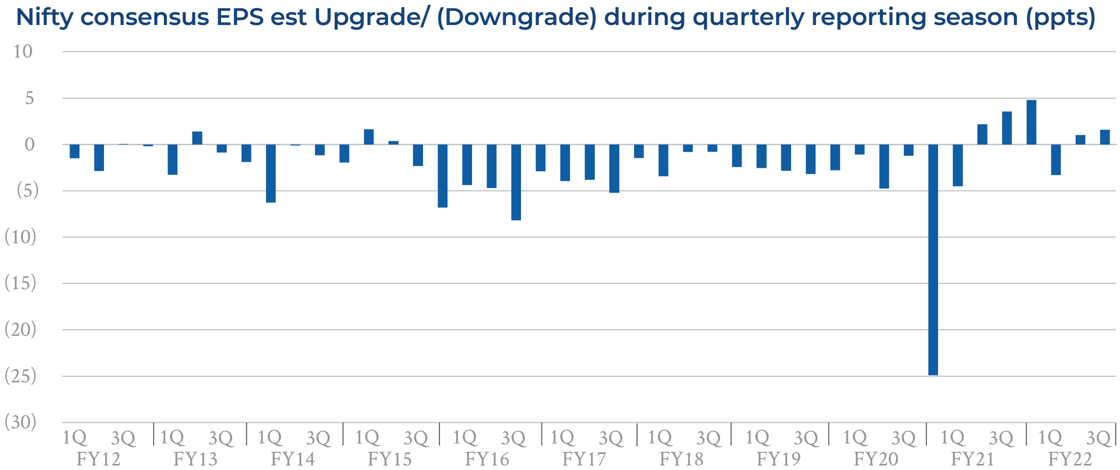
Fiscal shackles were eased in early 2021, with incremental firepower being directed to productive spending on infrastructure, roads, railways, and ports. Incentives schemes were announced to support domestic manufacturing and attract multi nationals to build capacity in favour of China as global supply chain diversification took prominence. After years of stagnation resulting from excess supply and tighter regulation, residential property prices climbed as the affordability levels reached new highs. This bodes well for future growth prospects.



Source: Moneycontrol, B&Q Securities

Against this supportive backdrop, two catalysts drove the market higher. Domestic equity investors' vast demand for new listing opportunities generated both headlines and flow. On the back of "digital mainstreaming", fast tracked by the pandemic, the market absorbed a huge number of IPOs, sector wide, but digital specific. Fresh capital was raised as private equity shareholders and business entrepreneurs took advantage of market optimism to list both primary, but mainly secondary stock. This is a big event, for it brings India to the attention of a larger investor base, improving liquidity, re-balancing indices and providing listed investors with access to the digital and tech companies, in the way that China and US markets have done for years. It also brings renewed interest from foreign investors.

Most important however is the fact that corporate profit forecasts are being raised after many years, supporting market valuations and, potentially, adding additional further upward momentum. For some time, equity analysts have been over optimistic when forecasting earnings and profitability. Usually on the back of higher growth expectations that have failed to materialise. Now it seems this optimism may be warranted on the back of a solid platform of reform, a cleaner banking system, and stronger than expected profit growth. If this is the story of a new cycle for India, it should be an exciting time for investors.



Source: CLSA India

INVESTMENT MANAGER'S REPORT continued

OUTLOOK

As I write this, the Russian invasion of Ukraine poses a risk to the continuation of India's economic recovery. While India's direct trade exposure to Russia is less than 1% of exports and 2% of imports, India remains vulnerable to rising energy prices. India imports over 80% of its oil. If current oil prices of US$120 a barrel are sustained, India's oil import bill in a year could rise by almost US$60bn from US$130bn estimate for the financial year ended March 2022. Prices of other key imports like coal, fertilizers, sunflower oil etc. have also seen a rise and could add a further US$35bn to the import bill. This implies that the current account deficit could increase to 2.7-3% of GDP and India's balance of payments could turn from positive to negative. Hence the biggest risk is on the currency. We draw comfort from the fact that unlike 2011-12, which was the last time oil was above US$100 a barrel, the economy now is far more resilient. India has amassed record foreign exchange reserves of over US$630bn, inflation is at 5.5% (vs 10% in 2011-12), the current account deficit is 1.5% (vs 4.5% in 2011-12) and the information technology services sector alone has reached scale with annual exports of over US$180bn, well above India's oil imports.

The above crisis however comes at a time when commodity prices were already at historical highs and many companies had resorted to raising their prices to protect margins. We believe companies would find it difficult to pass on further increases without impacting demand. This is relevant not just for India but globally as well. While it is still too early to factor in the impact on demand or margins, the longer the Ukraine crisis lasts, the greater the risk to earnings downgrades. The recent market correction does however factor in some potential cuts to earnings. We are less concerned about stress on the balance sheets of corporate India as most companies have been deleveraging over recent years. Even the banking system is well capitalized with banks sitting on surplus liquidity.

To end on a positive note, assembly elections in five states were just completed and the Modi Government emerged victorious in four of the five states. This included Uttar Pradesh, India's largest state with a population of over 200m people. This is a positive as it reaffirms Prime Minister Modi's popularity, ensures continuity in government policies and provides greater macroeconomic stability. It also puts the Modi government on a strong footing ahead of the general elections in 2024.

PORTFOLIO ATTRIBUTION

Over the year the net asset value of the portfolio rose by 37.9%. This compared to the portfolio's benchmark S&P BSE Midcap TR index returning 39.7%. Strong stock selection was the main driver of positive performance, although sector allocation also played its part.

At a sector level the main contributors to positive performance were consumer discretionary, information technology, materials and communication services. Sectors that dragged performance lower were led by financials, with utilities, industrials and energy also detracting. Cash, which averaged 2.7% over the period, pulled relative performance lower in the rising market.

At a stock level IT services company Persistent Systems rose over 200%, along with Tech Mahindra (IT sector) which rose 90%. Dixon Technologies (electrical equipment manufacturing) expanded the outsize gains made last year by rising 103% in 2021 driven by healthy earnings growth and multiple re-rating. This was also the case with long-term holding Welspun (integrated textiles) which rose 114%. New portfolio entrant Sona BLW (precision engineering, see below) rose 112% as investors priced in substantial growth expectations. Elsewhere, Sagar Cement (up 105%) and Ramkrishna Forgings (up 97%) outperformed from the materials sector, whilst Affle India (digital advertising through mobiles) was also a significant outperformer. Adverse stock selection was the major contributor to negative attribution in financials, led by City Union Bank, Indusind Bank and Multi Commodity Exchange. Performance has started to pick up more recently in this sector as the market starts to believe that asset quality issues and excess provisioning may soon be replaced by improving loan growth leading to recovering profitability. Underperformance in industrials was a combination of both adverse stock selection and insufficient allocation though this was partially offset by outperformance by portfolio heavyweight Kajaria Ceramics which rose 85%. It was a similar story in the utilities sector whereby the portfolio missed out on outperformance over the period despite a strong showing by Gujarat Gas. The portfolio finished the year with one stock fewer. Exide Industries, ICICI Lombard General Insurance, BLS Services, Bajaj Consumer Care and Arihant Foundations were sold. Portfolio additions were four, made up of Affle India, Sona BLW, Bajaj Electricals and Jubilant Foodworks. A short description of each is included below.

Affle India (Affle) is a digital ad-tech company operating only in the mobile space. Using data science algorithms, Affle enables advertisers to drive targeted marketing campaigns to acquire new customers or engage existing ones. It earns 89% of revenue through a "cost-per-converter-user revenue model" where Affle is paid once a customer is converted. It has a strong position in markets such as India (revenue c. 48%) and other emerging markets across Asia, Middle East, and Latin America. With increasing smartphone usage and online shopping both accelerated by Covid-19, we believe Affle provides exposure to a large market opportunity across the digital ecosystem. Advertisers continue moving towards digital marketing and away from the traditional media, and within digital, programmatic advertising (as adopted by Affle), is winning incremental share.

INVESTMENT MANAGER'S REPORT continued

Sona BLW Precision Forgings (Sona BLW), an automotive ancillary company. It supplies critical components such as differential assemblies, differential gears, starter motors and traction motors to automotive companies across the world. Sona BLW is a direct beneficiary of electric vehicle (EV) adoption globally as differential assemblies and gears are a critical component to manage high torque requirements in EV. In FY21, EV contributed 14% of revenues, out of which Tesla accounts for 13%. The company's strength comes from in-house design, knowledge of metallurgy and warm forging capability, making it one of the most integrated players in the sector. Unlike many automotive ancillary players, Sona BLW is in a strong position to benefit from EV adoption both in India (in time) and globally.

Bajaj Electricals Limited (BJE) is a leading player in the Fast-Moving Electric Goods (FMEG) space, selling appliances, fans, and lighting products to consumers. BJE's strength lies in its strong brand, distribution, and after-sales service. The company also has an engineering, procurement, and construction (EPC) division which focuses on areas such as lighting, transmission towers and power distribution. This is now being demerged. Along with cost efficiencies coupled with operating leverage, there is a structural change in the company's margin trajectory. The company has not only deleveraged its balance sheet through healthy operating cash flows but has also stepped up investments in branding and new products. Going forwards, we feel the company is well on track to achieve over 22% ROCE from FY22E onwards. We expect its increase in sales and PAT CAGR from FY21E to FY23E to be 17% and 48% respectively.

Jubilant Foodworks is the largest food service company in India operating two international brands – Domino's Pizza and Dunkin' Donuts. Domino's is the largest quick service restaurant (QSR) brand in India with 1,435 stores across 307 cities. We believe Jubilant is fast converting into a food powerhouse with multiple brands backed by strong digital capabilities. Because of Covid-19, India is witnessing increased scrutiny on hygiene, which will benefit strong QSR brands driving market share gains from informal players such as street food vendors. Currently, 85% of orders are from the delivery channel which is expected to fall to 75% as the economy opens gradually post-Covid. We forecast 55% CAGR in earnings from FY21-24 driven by a healthy store addition pipeline and margin resilience due to high same store sales growth and operating leverage.

Ocean Dial Asset Management
18 March 2022

DIRECTORS

The Directors as at 31 December 2021, all of whom are non-executive, are as follows:

ELISABETH SCOTT (CHAIR)

Elisabeth was appointed to the Board as Chair on 18 December 2017. She has 36 years' experience in the asset management industry having started as a US equity fund manager in Edinburgh in 1985. She went to Hong Kong in 1992, where she remained until 2008, most recently in the role of Managing Director and Country Head of Schroder Investment Management (Hong Kong) Limited and Chair of the Hong Kong Investment Funds Association. She is aged 59 and a UK resident.

PETER NIVEN

Peter was appointed to the Board on 11 August 2011. He has over 41 years' experience in the financial services industry both in the UK and offshore. He was a senior executive in the Lloyds TSB Group until his retirement in 2004 and until July 2012 was the Chief Executive of Guernsey Finance LBG, promoting the island as a financial services destination. He is a Fellow of the Chartered Institute of Bankers and a Chartered Director. He is aged 67 and a resident of Guernsey.

PATRICK FIRTH

Patrick was appointed to the Board on 25 September 2020. He is a Chartered Accountant and has 30 years' experience advising management companies, general partners and investment companies and has worked in the fund industry in Guernsey since joining Rothschild Asset Management C.I. Limited in 1992. Patrick was the Managing Director at Butterfield Fund Services (Guernsey) Limited (subsequently Butterfield Fulcrum Group (Guernsey) Limited), a company providing third party fund administration services, from 2002 to 2009. Former Chair of the Guernsey International Business Association and of the Guernsey Investment Fund Association. Patrick is also a member of the Chartered Institute for Securities and Investment. He is aged 60 and a UK resident.

LYNNE DUQUEMIN

Lynne was appointed to the board in May 2021. She has over thirty years' experience in financial markets, initially in London in the late 1980's before being seconded by Credit Suisse to Guernsey, Channel Islands in 1995, where she is still based. Lynne is currently a non-executive director and Chief Investment Officer for a family office and has prior experience as a director of a listed frontier equities investment company. Until 2020 she worked for 12 years as an investment consultant for an independent investment consultancy company. She is a Fellow of the Chartered Institute for Securities and Investment and a Chartered Wealth Manager. She is also an ASIP qualified member of the CFA UK, member of the CFA, 953214, as well as a Chartered Director and Fellow of the Institute of Directors. Lynne is 56 and a resident of Guernsey.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES AND OTHER RELEVANT ENTITIES

The following summarises the Directors' directorships in public companies and other relevant entities:

	Company name	Stock exchange
Elisabeth Scott	Allianz Technology Trust PLC	London
	Association of Investment Companies	N/A
Peter Niven	Association of Investment Companies	N/A
Patrick Firth	NextEnergy Solar Fund Limited	London
	Riverstone Energy Limited	London
Lynne Duquemin	–	–

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2021 which have been properly prepared in accordance with The Companies (Guernsey) Law, 2008, as amended.

THE COMPANY

India Capital Growth Fund Limited (the "Company") was registered in Guernsey on 11 November 2005 and is a closed-ended investment company with its shares admitted to trading on the main market of the London Stock Exchange. At 31 December 2021, the Company has one wholly owned Mauritian subsidiary, ICGQ Limited ("ICGQ"). 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 were able to request the redemption of some or all of their shares was 31 December 2021 when 15,608,872 shares were redeemed under the redemption facility. The next date at which shareholders will be able to request the redemption of some or all of the shares will be 31 December 2023.

GROUP CHANGES

The Board of Directors continues to take steps to facilitate the closure and liquidation of its Mauritian subsidiary, ICGQ, given it no longer serves a beneficial purpose for the Company's shareholders. However, this process may take some considerable time for ICGQ and the Company (together the "Group") given the restrictions imposed by the Indian regulators on transferring listed Indian equities from one entity to another without incurring considerable costs. The Board does not believe this is in the interest of shareholders. The Group's custodian is actively engaging with the Indian regulator to facilitate this transfer.

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 per cent. of Total Assets of ICGQ and the Company (measured at the time of investment) may be invested in the securities of any one Issuer; and
- No more than 10 per cent. of Total Assets of ICGQ and the Company (measured at the time of investment) may be 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 year ended 31 December 2021.

LONG-TERM SUSTAINABLE SUCCESS

The long-term performance of the Company and its reputation for transparency and good governance are paramount to its long-term success for the benefit of all its stakeholders.

In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the total aggregate percentage of unlisted investments in the portfolio, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored.

Our mandate is to invest in India, predominantly in listed mid cap and small cap companies where the Investment Manager believes significant long-term investment performance can be achieved. The Board considers this is best achieved via the investment trust structure constructing a portfolio of individually chosen shares in underlying companies whose business is in India. Consequently, our Investment Manager, advisers and analysts do considerable research in house to identify suitable investments. The Board works with the Investment Manager to ensure it has the necessary resources available and that those resources are of the desired quality.

DIRECTORS' REPORT (continued)

It is one of our long-term objectives that the share price should trade at a level close to the underlying net asset value of the shares. Share price discounts and premiums are determined by supply and demand. The Directors have focused the marketing of the Company particularly on explaining, through the press, the characteristics of investing in India, largely to dispel sentiment-based negative misperceptions and to inform the investing community of its long-term potential for significant sustainable growth in India. As detailed more fully in the Sustainability and ESG section on pages 19 and 20 the Company and its Investment Manager believe that companies with strong management focus on ESG have the potential to reduce risks facing their business, thereby delivering sustainable performance and enhanced returns over the longer term.

RESULTS AND DIVIDENDS

The Company's performance during the year is discussed in the Investment Manager's report on pages 4 to 8.

The results for the year are set out in the audited statement of comprehensive income on page 37.

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 year ended 31 December 2021 (2020: £nil).

SUBSTANTIAL INTERESTS

Shareholders who held an interest of 3% or more of the Ordinary Share Capital of the Company at 28 February 2022, being the latest date such data is available, are stated in the table below:

	Number of shares	% holding
Lazard Asset Management	21,746,796	22.5%
City of London Investment Management	14,581,650	15.1%
Hargreaves Lansdown	9,850,130	10.2%
Interactive Investor	8,398,169	8.7%
AJ Bell	3,684,853	3.8%

DIRECTORS

The names and a short biography of the current Directors of the Company are set out on page 9. Elisabeth Scott, Peter Niven and Patrick Firth served throughout the year and to date. Lynne Duquemin was appointed as Director on 28 May 2021.

DIRECTORS' INTERESTS

At 31 December 2021, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary shares
Elisabeth Scott	50,000
Peter Niven	37,500
Patrick Firth	25,000
Lynne Duquemin	-

INDEPENDENT AUDITOR

The Independent Auditor, Deloitte LLP, has indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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 year ended 31 December 2021 was 1.50% based on an average AUM of £136,856,000 (2020: 1.63% based on an average AUM of £88,908,000).

CORPORATE GOVERNANCE

The Company is a member of the AIC and has elected to follow the AIC Code, as revised in February 2019. The AIC Code has been endorsed by the FRC as an alternative means for their members to meet their obligations in relation to the UK Corporate Governance Code, as published in July 2018. The AIC Code addresses all the principles and recommendations on issues that are of specific relevance to investment companies.

The UK Corporate Governance Code includes provisions relating to: (i) the role of the chief executive; (ii) executive directors' remuneration; (iii) a nomination committee; and (iv) an internal audit function. For the reasons set out in the AIC Corporate Governance Guide, the Board of Directors considers these provisions are not relevant to the position of the Company, due to the size of the Board and as an externally managed investment company with no employees.

The Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission (the "GFSC Code") applies to the Company, Companies which report against the UK Corporate Governance Code or the AIC Code are deemed to meet the requirements of the GFSC Code.

As stated above, the Board considers that it has complied with the AIC Code and UK Code during the year ended 31 December 2021.

DIRECTORS' REPORT (continued)

COMPOSITION AND INDEPENDENCE OF THE BOARD

The Board currently consists of four Non-Executive Directors, all of whom are independent. The Chair of the Board is Elisabeth Scott. In considering the independence of the Chair, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Elisabeth Scott is an Independent Director. The Chair does not have, and has not had, any relationships or circumstances that may create a conflict of interest between her interests and those of shareholders. As the Chair is an Independent Director, no appointment of a Senior Independent Director has been made. The Company has no employees and therefore there is no requirement for a Chief Executive.

BOARD MEETINGS

The Board generally meets on at least four occasions each year, at which time the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. The Board is responsible for the appointment and monitoring of all service providers to the Company. The Board believes all the Directors have sufficient time to meet their Board responsibilities.

Board meetings, Committee meetings and Directors' attendance

During the year, the Directors in attendance at meetings were as listed in the table below:

	Board Meeting		Audit Committee	
	Regular	Ad hoc	No of meetings	Attended
Elisabeth Scott	4	4	3	3
Peter Niven	4	4	3	3
Patrick Firth	4	4	3	3
Lynne Duquemin[1]	3	3	2	2

[1] became a director of the Company on 28 May 2021

PERFORMANCE EVALUATION

On an annual basis the Board formally considers the independence of its members, its effectiveness as a Board, the balance of skills represented and the composition and performance of its committees. The size of the Board and independence of its members are such that the Board does not consider the need for external evaluations. The Board considers that it has an appropriate balance of skills and experience in relation to the activities of the Company and offers relevant training where necessary. The Chair evaluates the performance of each of the Directors on an annual basis, taking into account the effectiveness of their contributions and their commitment to the role. The performance and contribution of the Chair is reviewed by the other Directors under the leadership of the Chair of the Audit Committee. The conclusion of the 2021 review was that the skill sets of the members of the Board were complementary and that the Board functioned effectively. Even though the performance evaluation is deemed effective, the Board may consider having an external evaluation of performance in the future.

NOMINATION COMMITTEE

The size of the Board and independence of its members are such that the Board does not consider there is a need for a separate Nomination Committee. Any proposal for a new Director is discussed and approved by the Board, having considered the current skills, experience and diversity of the Board. During the year, the Board engaged Fletcher Jones, an independent search agency, to assist with identifying a suitable candidate. Following consideration of the candidates presented and the skill set required, Lynne Duquemin was selected, and her appointment was approved by shareholders at the Company's Annual General Meeting. The Board ensured relevant induction training was provided upon commencement.

Peter Niven's retirement from the Board was deferred from the end of 2021 as detailed in the Company's previous Annual Report and it is now intended that Peter Niven will retire at this year's Annual General Meeting. The Board has commenced the process for recruiting an additional Director, noting feedback received from shareholders previously that three directors was too small for a Board such as this, and will utilise independent search agents as done for previous appointments. The appointment and succession plans for the Company are based on merit and objective criteria.

Each Director stands for annual re-election at the Company's Annual General Meeting.

REMUNERATION COMMITTEE

The size of the Board and independence of its members are such that the Board does not consider the need for a separate Remuneration Committee. Remuneration is reviewed annually and discussed by the Board as a whole with reference to the Trust Associates Investment Company Non-Executive Directors' Fee Review. Collective decision making of the Board around remuneration ensures that no Director is involved in deciding their own remuneration outcome.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

DIRECTORS' REPORT (continued)

AUDIT COMMITTEE

All members of the Board are also members of the Audit Committee. The Chair of the Audit Committee is Patrick Firth. The Chair of the Board is also a member of the Audit Committee given her extensive experience and knowledge, in particular given her appointment to the Board of the Company for more than 4 years. The Audit Committee conducts formal meetings throughout the year for the purpose, amongst others, of considering the appointment, independence, effectiveness of the audit and remuneration of the auditors and to review and recommend the annual statutory accounts and interim report to the Board for approval. Full details of its functions and activities are set out in the Report of the Audit Committee.

SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Company's report on Sustainability and ESG is provided on pages 19 and 20.

EMPLOYEES, HUMAN RIGHTS AND CORPORATE SOCIAL RESPONSIBILITY

The Company has no employees, all of its Directors are non-executive and third parties carry out its day-to-day activities. Therefore, there are no disclosures to be made in respect of employees and the Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated. As an investment company, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015. Whilst the Company is not obliged to comply with the Act, the Board is in agreement with its aims and receives confirmation from those third-party service providers which are in scope that they are in compliance.

The Investment Manager's primary objective is to produce superior financial returns for the Company's shareholders. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process considers social, environmental and ethical issues when, in the Manager's view, these have a material impact on either investment risk or return.

SECTION 172 OF THE COMPANIES ACT 2006

Section 172 of the Companies Act 2006 applies directly to UK domiciled companies. Nonetheless, the intention of the AIC Code is that the matters set out in section 172 are reported on by all companies, irrespective of domicile, provided this does not conflict with local company law. Under section 172, directors have a duty to promote the success of their company for the benefit of its members as a whole, whilst having regard to (amongst others) the likely consequences of their decisions in the long-term and the interests of the company's wider stakeholders. Information on how the Board has acted in accordance with the requirements of section 172 is included throughout the Directors' report, and more specifically:

- details on the Company's values and business model can be found under the "Chair's Statement' on pages 2 and 3 and under the "Investment Policy" on page 11;
- details of how the Company seeks to generate and preserve value over the long-term can be found in the "Investment Manager's report" on pages 4 to 8 and "Long-term sustainable success" on page 11;
- information on the emerging and principal risks that could disrupt the long-term success of the Company and how the Board seeks to manage and mitigate them are considered under "Risk Management and Internal Control" and "Principal Risks and Uncertainties" both on page 15;
- details on how the Board engages with key shareholders and why they are important can be found under "Shareholder communication" on page 17;
- in relation to the Company's portfolios, the Investment Manager has day-to day responsibility for the Company's dealings with suppliers, contractors, customers and others and information of how they foster these relationships are included in the "Investment Manager's report" on pages 4 to 8;
- information on sustainability and ESG adopted by the Company can be found in the Report on pages 19 and 20; and
- details of how the Board works towards the long-term sustainable success of the Company and ensure good governance can be found under "Long-term sustainable success" on page 11.

In making decisions, the objective of the Board is always to ensure the long-term sustainable success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration. In relation to the decisions taken by the Board during the year under review, the Board acted in good faith, and in a way that would most likely promote the Company's long-term sustainable success and achieve its wider objectives for the benefit of the shareholders as a whole, having had regard to the wider stakeholders and the other matters set out in section 172.

BOARD LEADERSHIP, EFFECTIVENESS, DIVERSITY & SUCCESSION PLANNING

The Board recognises that its tone and culture is important and will greatly impact its interactions with shareholders

DIRECTORS' REPORT (continued)

and service providers as well as the development of long-term shareholder value. The importance of sound ethical values and behaviours is crucial to the ability of the Company to achieve its objectives successfully.

The Board individually and collectively seeks to act with diligence, honesty and integrity. It encourages its members to express differences of perspective and to challenge but always in a respectful, open, cooperative and collegiate fashion. The Board encourages diversity of thought and approach and chooses its members with this approach in mind. The governance principles that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and treats all shareholders equally. All shareholders are encouraged to have an open dialogue with the Board.

The Board recognises that the Company will take investment and other risks in order to achieve its objectives but these risks are monitored and managed and the Company seeks to avoid excessive risk taking in pursuit of returns. A large part of the Board's activities are centred upon what is necessarily an open and respectful dialogue with the Investment Manager. The Board believes that it has a very constructive relationship with the Investment Manager whilst holding them to account and questioning the choices and recommendations made by them.

The Board supports the principle of diversity and confirms that there will be no discrimination on the grounds of gender, social and ethnic background, cognitive and personal strengths. The Board's overriding intention is to ensure that it has the best combination of people in order to achieve long-term capital growth for the Company's shareholders from an actively managed portfolio of investments. To this effect, the Board, as part of its succession plan, will continue to appoint individuals who, together as a Board, will aim to ensure the continued optimal promotion of the Company. The Board currently consists of two female and two male Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board also considers the process for identifying, evaluating and managing any significant risks faced by the Company. At each quarterly meeting of the Board a report on the control environment and risk assessment is presented and considered. Changes in the risk environment are highlighted as are changes in the controls in force to manage or mitigate those risks. The Board is satisfied that appropriate controls are in place in relation to the key risks faced by the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a Control Environment and Risk Assessment Matrix (the "Matrix"), which identifies the key risks to the Company and considers the impact and likelihood of each significant risk identified. The Board reviews the Matrix at least quarterly to ensure, in particular, that any emerging risks are identified, assessed and documented at an early stage.

The Principal Risks fall into the following broad categories:

- Investment performance risk: The Company's long-term growth is dependent upon the performance of its investment portfolio. Consequently, if the portfolio fails to perform in line with the investment objectives and policy, and if the companies in the portfolio perform poorly or markets move adversely, especially over an extended period, it may jeopardise the long term future of the Company. The Investment Manager incorporates ESG factors into its stock selection process. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the constitution of the portfolio, its liquidity and its attribution by sector and weighting compared to the BSE Mid Cap Total Return Index.
- Political, currency & emerging market risk: The value of the Company's assets may be affected by uncertainties in India such as political developments, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations.
- Operations, systems and data security failure risk: The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Investment Manager, the Administrator, or the Company's other service providers. Under normal circumstances members of the Audit Committee visit the Investment Manager annually to perform a due diligence review of its controls and the Board receives reports annually from the Administrator on their internal controls. Cybersecurity controls at all service providers are reviewed on a regular basis.
- Accounting, legal and regulatory risk: The Company is at risk if it fails to comply with the laws and regulations applicable to a company with a premium listing on the Main Market of the London Stock Exchange and the

DIRECTORS' REPORT (continued)

Guernsey, Mauritian and Indian laws and regulations or if it fails to maintain accurate accounting records. The Investment Manager and Administrator provide the Board with regular reports on changes in regulations and accounting requirements.

- Multi-jurisdictional taxation risk: The Company is at risk of additional taxation charges from several geographical jurisdictions in which the Company, its service providers or companies in its investment portfolio reside. The risk that appropriate tax residency is not maintained may result from poor administration or from changes in Government policy. The board receives quarterly updates from the Investment Manager and the Administrator who is responsible for tax residence administration. Note 10 to the financial statements details key taxation risks and their impact upon the Company.
- Financial risk: Significant market, foreign currency, credit and liquidity risks faced by the Company are set out in note 10 to the financial statements. These risks and their mitigation controls are reviewed at each quarterly Board meeting.
- Emerging risks: Risks that emerge unexpectedly, and in some cases quite quickly, can have an economic impact upon the Company. Such recent risks include the coronavirus global pandemic, and conflicts disrupting global supply chains. The Board assesses and monitors these risks as and when they develop so, if necessary, controls and procedures can be implemented to mitigate against their economic impact upon the Company.

SUPPLY OF INFORMATION TO THE BOARD

Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance and compliance. A representative of the Investment Manager attends each Board meeting thus enabling the Board to discuss fully and review the Company's operation and performance. Each Director has direct access to the Company Secretary, and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

DELEGATION OF FUNCTIONS

The Board has contractually delegated various functions as listed below, to external parties. Each of these contracts have been entered into after full and proper consideration by the Board, mindful of the quality and cost of services offered, including the control systems in operation as far as they relate to the affairs of the Company. The duties of investment management, accounting and custody are segregated.

- Investment Management is provided by Ocean Dial Asset Management Limited, a company authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA).
- Administration and Company Secretarial duties for the Company during the year were performed by Apex Fund and Corporate Services (Guernsey) Limited, a company licensed and regulated by the Guernsey Financial Services Commission. Those for the subsidiary were performed by Apex Fund Services (Mauritius) Limited, a company registered in Mauritius and licensed by the Financial Services Commission in Mauritius. In advance of Board meetings, the Administrator provides regular reports, which include financial and other operational information, details of any breaches or complaints and relevant legal, regulatory, corporate governance and other technical updates. There is also regular contact between the Directors and the Administrator between Board and Committee meetings.
- Custody of assets is undertaken by Kotak Mahindra Bank Ltd, which is registered as a custodian with the Securities and Exchange Board of India (SEBI).

The Board has established a Management Engagement Committee to review the performance of all material external service providers and the related contractual terms. The Management Engagement Committee is constituted of the current four Directors of the Company, with Mr Peter Niven acting as the Chair. The last meeting of the Management Engagement Committee was held on 14 December 2021 and it intends to sit annually. Performances of all material external service providers are considered satisfactory.

INVESTMENT MANAGEMENT

The investment management agreement will continue unless and until terminated by either party giving to the other not less than twelve months' notice in writing or six months' notice by the Company if at any Redemption Point, redemption requests exceed 50% of the issued share capital of the Company at the date of the Redemption Point. The management agreement may also be terminated forthwith as a result of a material breach of the agreement or on the insolvency of the Investment Manager or the Company and by the Investment Manager by notice within 30 days of being notified by the Company of any material change to the investment policy.

The Investment Manager is entitled to receive a management fee payable jointly by the Company and the Mauritian subsidiary, ICG Q Limited. With effect from 1 July 2020, the fee was reduced from the equivalent of 1.25% per annum of the Company's Total Assets to the lower of

DIRECTORS' REPORT (continued)

that fee or 1.25% per annum of the average daily market capitalisation of the Company, calculated and payable monthly in arrears. The Company's Total Assets consist of the aggregate value of the assets of the Company less its current liabilities before the deduction of management fees. For purposes of the calculation of these fees current liabilities exclude any proportion of principal amounts borrowed for investment. To date, the Company has not borrowed for investment or any other purpose.

The Board as a whole reviews the performance of the Investment Manager at each quarterly Board Meeting and considers whether the investment strategy utilised is likely to achieve the Company's investment objective. Having considered the portfolio performance and investment strategy, the Board has agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed.

From time to time the extent of powers delegated to the Investment Manager and matters upon which decision making is reserved to the Board are reviewed and considered. In particular, the approval of the Board (or a designated committee) is required in relation to:

- Borrowings (other than on a temporary basis);
- Investment in unlisted securities (other than those arising on a temporary basis from demergers from existing listed holdings);
- Exercise of the Company's share buy-back powers; and
- Policy on currency hedging.

The Investment Manager reports to the Board on brokers used for executing trades and the commission paid to brokers. The Investment Manager does not use commissions paid by the Company to pay for services used by the Investment Manager other than directly related research services provided by the broker. There is a procedure in place whereby any prospective conflict of interest is reported by the Investment Manager to the Chair and a procedure to manage the prospective conflict agreed. The Investment Manager's policy on conflicts is reviewed by the Board annually.

The provisions of the UK Stewardship Code do not apply to the Company as all investments are outside the United Kingdom. The Board has delegated to the Investment Manager the power to vote in relation to the Company's holdings in Indian listed companies, whether held directly or via ICGQ, the Company's wholly owned subsidiary.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The Board has appointed the Investment Manager to act as its AIF Manager.

The Investment Manager, Ocean Dial Asset Management Limited, is registered with the Financial Conduct Authority in the UK as an Alternative Investment Manager ("AIFM") and is authorised as a small Authorised UK AIFM. Consequently, AIFM remuneration disclosures are not required.

Brexit has had no impact upon the Company given both it and the Investment Manager are not EEA members and the Company is a closed ended investment company whose shares are listed on the Main Market of the London Stock Exchange.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number and can be found on the IRS FFI list. The responsible officer is Robin Sellers, CEO of the Investment Manager.

The Company is subject to Guernsey regulations and guidance based on reciprocal information sharing inter-governmental agreements which Guernsey has entered into with the United Kingdom and the United States of America. The Board will take the necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

SHAREHOLDER COMMUNICATION

The Board considers a report on shareholder communications at each quarterly Board Meeting and a monthly Fact Sheet is published on the Company's website reporting the month-end Net Asset Value with a commentary on performance. The Investment Manager also reports via the Regulatory News Service (RNS) an estimated, unaudited daily Net Asset Value. The Investment Manager and the Corporate Broker maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board. Additionally during the year the Investment Manager conducted three well-attended webinars for shareholders which received positive feedback from shareholders who attended. Board members are available to answer shareholders' questions at any time, and specifically at the Annual General Meeting.

DIRECTORS' REPORT (continued)

The Company Secretary is also available to answer general shareholder queries at any time during the year.

In order to ensure the Board members have an understanding of the views of the major shareholders about their Company, the Investment Manager and the Corporate Broker, who regularly engage with those shareholders, both report those views to the Board Members at each board meeting. The Board monitors activity in the Company's shares and the discount or premium to Net Asset Value at which the shares trade both in absolute terms and relative to the Company's peers.

The Company has the authority, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, as amended to buy-back in the market, up to 14.99% of the shares in issue. The Company intends to request renewal of this power from shareholders on an annual basis. As of 31 December 2021 the Company had bought back 412,444 shares.

GOING CONCERN

The Board made an assessment of the Company's ability to continue as a going concern for the twelve months from the date of approval of these financial statements taking into account all available information about the future including the liquidity of the investment portfolio held both by the Company and its subsidiary, ICG Q Limited (73.9% of the portfolio can be liquidated within 5 days); the performance of the investment portfolio (the net asset value of the Company increased 37.9% in the year); the overall size of the Company and its impact on the Ongoing Charges of the Company (the net asset value of the Company exceeded £100m throughout the year); the level of operating expenses covered by highly liquid investments held in the portfolio (operating expenses are 48 times covered by highly liquid investments); and the length of time to remit funds from India to Mauritius and Guernsey to settle ongoing expenses (no more than 10 days to have investments liquidated and sterling funds in Guernsey).

Given the Company's previous performance, the Directors proposed a continuation ordinary resolution at the Extraordinary General Meeting held on 12 June 2020, at which the Shareholders approved that the Company continue as currently constituted and introduce a redemption facility which gives the ordinary shareholders the ability to redeem part or all of their shareholding at a Redemption Point every two years. The first Redemption Point was on 31 December 2021 when valid redemption requests were received in respect of 15,608,872 ordinary shares(13.9% of the then issued share capital) which were subsequently redeemed under the redemption facility at a total cost of £19.7m in accordance with the announced timetable. The next date at which shareholders will be able to request the redemption of some or all of the shares will be 31 December 2023.

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.

LONGER TERM VIABILITY STATEMENT

The Directors have assessed the prospects of the Company for a period of three years. The Board believes this time period is appropriate having consideration for the Company's;

- long term capital appreciation investment strategy;
- portfolio of liquid listed equity investments and cash balances;
- level of operating expenses, both fixed and variable;
- principal risks and uncertainties; and
- the Redemption Facility available to shareholders every two years.

In making this assessment, the Directors have considered the possible impact of the Redemption Facility and the next Redemption Date in December 2023 when shareholders can redeem part or all of their shareholding at an Exit Discount not exceeding 3%. Whilst redemption requests at the next Redemption Date could impact the Company's longer term viability the Board have considered the performance of the Company up to the First Redemption Point and the proportion of shares (13.9%) redeemed at that time.

In making this assessment as to the Company's longer term viability, the Directors have considered detailed information provided at Board meetings that include the Company's balance sheet, investment portfolio liquidity, operating expenses, market capitalisation, share price discount, and investment performance, both actual and against the BSE Mid Cap Total Return Index (the "Index").

Approved by the Board of Directors and signed on behalf of the Board on 18 March 2022.

Peter Niven **Patrick Firth**

SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") MATTERS

The Board recognises its responsibilities for reporting on ESG and intends to progress towards compliance with the Listing Requirements to report on the four pillars of Governance, Strategy, Risk Management and Metrics & Targets with the assistance and support of the Investment Manager, upon whom the Board is reliant to deliver this ESG reporting of the Company.

In setting and reporting on our ESG policies, we have considered the impacts of our activities and followed the relevant regulatory guidance including the requirements of section 172(1) of the Companies Act 2006 and, in so far as they apply, the non-financial reporting requirements in sections 414CA and 414CB of the Companies Act 2006. Although India Capital Growth Fund does not fall within the scope of these two sections, we believe that these disclosures will provide shareholders and stakeholders with a greater level of insight and transparency. We have also reported under the UK Corporate Governance Code ("**UK Code**").

We believe in engagement and long term ownership both in respect of our own shareholders and the investment approach adopted by our Investment Manager, to drive investment performance and to contribute to positive change to build a sustainable future. We and our Investment Manager believe that companies with strong management focus on ESG have the potential to reduce risks facing their business, thereby delivering sustainable performance and enhanced returns over the longer term.

INVESTMENT MANAGEMENT APPROACH TO SUSTAINABILITY & ESG

The management of sustainability risks forms an important part of the due diligence process implemented by the Investment Manager. When assessing the sustainability risks associated with underlying investments, the Investment Manager is assessing the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition. Sustainability risks are generally incorporated into the Investment Manager's evaluation of an issuer's investment risk or return, across all asset classes, sectors, and markets in which the Company invests.

The Investment Manager believes that sound governance is an essential element of a company's long term sustainability and growth, and that detailed analysis beyond financial data is required to understand the true characteristics of a potential underlying investment. This includes, but is not limited to, conviction in the alignment of interest between the owners, managers and minority shareholders of a business, the nature and extent of the true independence of the Board and its specialist sub-committees, capital allocation and dividend policies, tax treatment, key man risk and succession planning. Governance plays a central role in the investment philosophy of the Investment Manager and it naturally veers away from certain sectors where practical issues of "getting business done" within India can undermine good governance. These sectors, including those such as Real Estate, Public Sector Banks and Infrastructure Projects, tend to be capital intensive, rely on multiple bureaucratic approvals for authorisation and are often cash flow negative. The Investment Manager also will not consider investments in industries that are considered harmful to the wellbeing of society not least because they may not demonstrate adequate compliance with regulations and tax considerations may create unforeseen financial uncertainty. These include tobacco, alcohol, gambling and defence equipment manufacturers of all descriptions.

The Investment Manager gives equal importance to the non-financial elements of environmental and social issues of a business and financial modelling when considering a company for an underlying investment. These include, but are not restricted to, topics such as gender diversity, environmental impact on production, carbon footprint, workplace health and local community engagement. Where the sustainability risks associated with a particular investment have increased beyond the ESG risk appetite of the Company, the Investment Manager will consider selling or reducing that exposure to the relevant investment, taking into account the best interests of the shareholders of the Company. The Investment Manager does not use third party ESG ranking tools but has integrated the systematic and explicit inclusion of material ESG factors into its investment analysis process from which it is developing its own bespoke ESG ranking tool. These factors include:

ENVIRONMENT

- GHG emissions
- Planned carbon neutrality goals
- Energy management
- Water and wastewater management
- Waste and hazardous materials management
- Biodiversity & land use

SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") MATTERS (continued)

GOVERNANCE

- Related party transactions
- Promoter's behaviour: % holding, % shares pledged, exposure to other business, unlisted entities in similar business, remuneration, family run vs. professionally run
- Board structure: diversity, independence and size
- Board Committees and their independence: Audit, Nomination and Remuneration
- Capital allocation decisions
- Management of legal & regulatory environment
- Business ethics
- Competitive behaviour

SOCIAL

- Fulfilment of responsibilities under Corporate Social Responsibility requirements
- Human capital: employee turnover, health & safety, training & diversity, treatment of blue collar workers
- Human rights and community relations
- Customer privacy and data security
- Access and affordability
- Product quality and safety
- Supply chain management
- Customer welfare
- Selling practices and product labelling

Additionally, as part of its commitment to ESG & sustainability in its investment approach, the Investment Manager is a signatory to the UN Principles of Responsible Investing and has appointed a dedicated ESG co-ordinator to implement the its ESG investment strategy.

ENGAGEMENT

In order to truly understand the direction of travel and the actions being taken by portfolio investment companies in respect of ESG and the sustainability of their business, constructive dialogue with management is at the core of the investment process of the Investment Manager. The investment advisers in India meet and interact regularly with both investee companies and potential portfolio holdings. They meet onsite where possible and will take the opportunity of visiting manufacturing facilities as well a corporate headquarters in order to build a clearer picture. In addition they also endeavour to meet employees outside of the senior management team, as this also helps to strengthen the overall understanding of the business and better establish if the ESG and sustainability ethos projected by senior management filters down through the business.

VOTING ON PORTFOLIO INVESTMENTS

The Investment Manager has been empowered to exercise discretion in the use of its voting rights in respect of portfolio investments. Where practicable, all shareholdings were voted at all investment company meetings which backs up and reinforces engagement and integrates sustainability issues into the voting process.

Holdings in individual companies are not large and our votes are not likely to carry weight. However as responsible investors, and due to our remit to invest in small and mid-cap Indian equities supported by a long term investment approach, management teams do look to us for guidance on aspects of best practice. In turn we look to influence their thinking positively in respect of ESG matters.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, Directors' Remuneration Report, Portfolio Statement and the Financial Statements in accordance with applicable laws.

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

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

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

- select suitable accounting policies and then apply them consistently;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, the event and conditions on the Company's financial position and financial performance;
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are also responsible for ensuring the Company complies with the Listing Rules and Disclosure Guidance and Transparency Rules (DTR) of the UK Listing Authority which, with regard to corporate governance, requires the Company to disclose how it has applied the principles, and complied with the provisions, of the AIC Code and the UK Corporate Governance Code to the Company. Except as disclosed within this Annual Report, the Board is of the view that throughout the year ended 31 December 2021, the Company complied with the recommendations and provisions of the AIC Code and the UK Corporate Governance Code.

We confirm to the best of our knowledge that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information;
- these Financial Statements have been prepared in conformity with IFRS as adopted by the EU and give a true and fair view of the financial position of the Company; and
- this Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board by:

Peter Niven **Patrick Firth**

18 March 2022

UNAUDITED DIRECTORS' REMUNERATION REPORT

INTRODUCTION

An ordinary resolution for the approval of the Directors' remuneration report will be put to the Shareholders at the next Annual General Meeting.

REMUNERATION POLICY

Due to the size of the Board, the Directors have not established a separate Remuneration Committee. The Company's Articles of Incorporation state that unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two and the aggregate remuneration of all Directors in any 12-month¬ period or pro rata for any lesser period shall not exceed £200,000 or such higher amount as may be approved by ordinary resolution. The level of Directors' fees is determined by the whole Board on an annual basis, but no Director is involved in setting his own remuneration. When considering the level of Directors' remuneration, the Board considers the industry standard and the level of work that is undertaken.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

The Board shall have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Remuneration

Annual Directors' fees for the years listed are as follows:

	To 31 Dec 2021 £	To 31 Dec 2020 £
Elisabeth Scott (Chair)	**35,000**	35,000
Patrick Firth (Audit Committee Chair from 25 September 2020)	**28,000**	[1]7,000
Peter Niven	**25,000**	25,000
Lynne Duquemin (appointed 28 May 2021)	[2]**14,583**	-

[1] appointed 25 September 2020

[2] Lynne Duquemin's annual Director fees are GBP 25,000

No additional sums were paid in the year to Directors for work on behalf of the Company outside their normal duties. None of the Directors had a service contract with the Company during the year and accordingly a Director is not entitled to any minimum period of notice or to compensation in the event of their removal as a Director.

AUDIT COMMITTEE REPORT

INTRODUCTION

The Audit Committee (the "Committee") report for 2021 is presented below. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the Independent Auditor and the internal control and risk management systems of the Company and its service providers.

STRUCTURE AND COMPOSITION

The Chair of the Audit Committee is Patrick Firth. The Chair of the Committee is appointed by the Board and the members are appointed by the Board, in consultation with the Chair of the Committee. The Committee shall have a minimum of two members. All members of the Committee shall be independent non-executive directors, at least one of whom has recent and relevant financial experience.

The Committee conducts formal meetings at least twice a year, normally immediately preceding the Board meetings at which the financial statements for the half-year and year end are reviewed. Only members of the Committee have the right to attend meetings although, with the consent of the Chair of the Committee, other Directors may be in attendance. The meetings attendance table in the Directors' Report sets out the number of Committee meetings held during the year ended 31 December 2021 and the number of such meetings attended by each committee member. The Independent Auditor is invited to attend those meetings at which the annual and interim reports are considered. The Independent Auditor and the Committee may meet together without representatives of either the Administrator or Investment Manager being present if either considers this to be necessary.

PRINCIPAL DUTIES OF THE COMMITTEE

The role of the Committee includes:

- monitoring the integrity of the financial statements and any formal announcements regarding financial performance of the Company;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Company's published financial statements, (having regard to matters communicated by the Independent Auditors) preliminary announcement and other financial information;
- reviewing the effectiveness of the external audit process and the auditors' independence;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's Independent Auditor;
- reviewing arrangements by which persons associated with the key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate proportionate independent investigation of such matters is undertaken; and
- assessing whether the Annual Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, which can be obtained from the Company's website.

INDEPENDENT AUDITOR

Deloitte LLP acted as the Independent Auditor of the Company in respect of the year ended 31 December 2021.

The recent revisions to the UK Corporate Governance Code introduced a recommendation that the independent audit of FTSE 350 companies be put out to tender every 10 years. Similarly, the EU and the Competition and Markets Authority have also issued requirements to tender every 10 years and extend for a maximum of further 10 years before mandatory rotation. Notwithstanding the Company does not fall within the FTSE350, the Committee will follow the developments around the FRC, EU and Competition and Markets Authority guidance on tendering and consider the impact for offshore entities.

Following the recommendation of the Committee, Deloitte were appointed by the Board of Directors on 10 June 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 31 December 2015 to 31 December 2021.

The independence and objectivity of the Independent Auditor is reviewed by the Committee which also reviews the terms under which the Independent Auditor is appointed to perform non-audit services. Any non-audit service provided by the Independent Auditor, other than other than reviewing interim financial information, those services which are closely linked to the audit itself or those services which are required by law or regulation to be completed by the Auditor, requires prior Committee approval where fees for the service are in excess of £10,000 cumulative over the financial year.

AUDIT COMMITTEE REPORT (continued)

As a general rule, the Company does not utilise the Independent Auditor for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted relative to the established non-audit services policy of the Company.

Given the fees for non-audit services paid by the Company are currently below the specified threshold, the Independent Auditor can be deemed to be independent and objective.

The committee also received assurance from Deloitte LLP that no matters of concern were raised in external evaluations of their performance that would impact upon their audit of the Company.

EVALUATIONS DURING THE YEAR

The following assessments have been made by the Committee during the year:

Significant Financial Statement Issues

Liquidity and Valuation - The ongoing liquidity of the Company's investment portfolio was evaluated, which included a review of both financial and relative non-financial information. Due to the liquid nature of the Company's and ICGQ's holdings and the Company's ability to effect a disposal of any investment in ICGQ's portfolio and any of its direct investments at the prevailing market price and the distribution of proceeds back to the Company should it so wish, it was determined that no illiquidity discount would be applied in determining the fair value of the Company's investment in ICGQ and the Company's direct investments.

Going Concern and Longer Term Viability – The Committee assessed both the going concern of the Company and its longer term viability for a period of three years, particularly in the light of the Redemption Facility in December 2021. Given recent investment performance, feedback from shareholders and the adequacy of the Company's liquid resources it was determined the Company can continue in business for the foreseeable future.

The foregoing matters were discussed during the planning and final stage of the audit and there were no disagreements between the Committee and the Independent Auditor.

Effectiveness of the External Audit Process

The Committee had formal meetings with Deloitte LLP in attendance during the course of the year: 1) at the review and approval of the year end accounts, 2) at the review and approval of the half-year accounts; and 3) for the planning discussions for the year-end audit. The Committee performed the following in relation to its review of the effectiveness and independence of the Independent Auditor:

- Challenged the audit plan presented to the Committee before the start of the audit;
- Challenged the post audit report;
- Challenged the Auditor's own internal procedures to identify threats to independence, which included obtaining confirmation from the Independent Auditor of their independence;
- Discussed with both the Manager and the Administrator any feedback on the external audit process; and
- Challenged and approved terms of the engagement of both the audit and non-audit services during the year, which included an evaluation of the related fees.

In addition, the Committee performed specific evaluation of the performance of the Independent Auditor which is supported by the results of questionnaires completed by the Committee. This questionnaire covered areas such as quality of audit team, business understanding, audit approach and management.

There were no significant findings from the evaluation this year and the Committee is satisfied that the external audit process is effective.

Audit fees and Non-audit Services

The table below summarises the remuneration paid by the Company to the Independent Auditor:

	2021 £	2020 £
Annual Audit	**35,000**	26,140
Interim Review	**12,500**	10,000

Internal Control

The Committee has considered the need for an internal audit function. The Committee agreed that the systems and procedures employed by the Investment Manager and the Administrator provided sufficient assurance that a sound system of internal control, which safeguards the Company's assets, has been maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Committee examined and challenged externally prepared assessments of the control environment in place at the Administrator who provided an independent service auditor's report in accordance with ISAE 3402 for the year ended 30 September 2021.

AUDIT COMMITTEE REPORT (continued)

CONCLUSION AND RECOMMENDATION

After consultations with the Independent Auditor as necessary and reviewing various reports from the Investment Manager such as the quarterly performance reports and portfolio attribution and portfolio turnover reporting and assessing the significant financial statement issues, the Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee further concludes that the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's performance, business model and strategy.

At the conclusion of the external audit process, the Independent Auditor reported to the Committee that no material misstatements were found in the course of its work. Furthermore, both the Manager and the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

Following the detailed review and evaluation processes identified in this report, the Committee has concluded that the auditors have acted independently in the work undertaken on behalf of the Company and has recommended to the Board that Deloitte LLP be reappointed as Independent Auditor of the Company for the coming financial year.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Committee remains available to attend each Annual General Meeting to respond to such questions.

Patrick Firth | **Audit Committee Chairman**

18 March 2022

PRINCIPAL INVESTMENTS OF THE GROUP

AS AT 31 DECEMBER 2021

HOLDING	Market cap size[1]	Sector	Value £000	% of company NAV
Federal Bank	M	Financials - Banks	8,928	5.7%
Tech Mahindra	L	IT	8,555	5.5%
Persistent Systems	M	IT	7,677	4.9%
Emami	M	Consumer Staples	6,246	4.0%
Welspun India	S	Consumer Discretionary	6,180	4.0%
Ramkrishna Forgings	S	Materials	5,951	3.8%
PI Industries	M	Materials	5,899	3.8%
IndusInd Bank	L	Financials - Banks	5,818	3.7%
IDFC Bank	M	Financials - Banks	5,365	3.5%
Dixon Technologies	M	Consumer Discretionary	5,022	3.2%
Kajaria Ceramics	M	Industrials	4,939	3.2%
Aarti Industries	M	Materials	4,713	3.0%
Sona BLW Precision Forgings Limited	M	Consumer Discretionary	4,407	2.8%
Balkrishna Industries	M	Consumer Discretionary	4,357	2.8%
Sagar Cements	S	Materials	4,332	2.8%
Divi's Laboratories	L	Healthcare	4,310	2.8%
Affle India Ltd	M	Communication Services	4,159	2.7%
CCL Products India	S	Consumer Staples	4,108	2.6%
Neuland Laboratories	S	Healthcare	4,024	2.6%
Bajaj Electricals Ltd	S	Consumer Discretionary	4,004	2.6%
Total top 20 portfolio investments			**108,994**	**70.0%**

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

[1] Refer to page 28 for market capitalisation size definitions.

PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2021

HOLDING	Market cap size[1]	Nominal	Value £000	% of company NAV
LISTED SECURITIES				
Communication Services				
Affle India Ltd	M	370,000	4,159	2.7%
			4,159	2.7%
Consumer Discretionary				
Bajaj Electricals Ltd	S	312,734	4,004	2.6%
Balkrishna Industries	M	188,100	4,357	2.8%
Dixon Technologies	M	91,425	5,022	3.2%
Jubilant Foodworks Limited	M	57,500	2,059	1.3%
Sona BLW Precision Forgings Limited	M	594,448	4,407	2.8%
Welspun India	S	4,260,000	6,180	4.0%
			26,029	16.7%
Consumer Staples				
CCL Products India	S	960,000	4,108	2.6%
Emami	M	1,207,126	6,246	4.0%
Jyothy Laboratories	S	2,681,240	3,694	2.4%
			14,048	9.0%
Energy				
Aegis Logistics	S	1,311,000	2,892	1.9%
			2,892	1.9%
Financials - Banks				
City Union Bank	S	2,552,000	3,426	2.2%
IDFC Bank	M	11,128,660	5,365	3.5%
Indusind Bank	L	657,100	5,818	3.7%
Federal Bank	M	10,789,000	8,928	5.7%
			23,537	15.1%
Financials - Diversified				
Multi Commodity Exchange	S	241,000	3,803	2.5%
			3,803	2.5%
Healthcare				
Divi's Laboratories	L	92,400	4,310	2.8%
Neuland Laboratories	S	261,227	4,024	2.6%
			8,334	5.4%

[1] Refer to page 28 for market capitalisation size definitions.

PORTFOLIO STATEMENT (continued)

HOLDING	Market cap size	Nominal	Value £000	% of company NAV
Industrials				
Finolex Cables	S	574,585	3,025	2.0%
Kajaria Ceramics	M	384,000	4,939	3.2%
PSP Projects	S	459,000	2,221	1.4%
Skipper	S	4,185,000	3,288	2.1%
			13,473	8.7%
IT				
Persistent Systems	M	157,000	7,677	4.9%
Tech Mahindra	L	479,200	8,555	5.5%
			16,232	10.4%
Materials				
Aarti Industries	M	470,586	4,713	3.0%
Essel Propack	S	1,141,000	2,358	1.5%
JK Lakshmi Cement	S	628,000	3,620	2.3%
PI Industries	M	195,000	5,899	3.8%
Ramkrishna Forgings	S	628,555	5,951	3.8%
Sagar Cements	S	1,611,000	4,332	2.8%
The Ramco Cements	M	270,000	2,703	1.7%
			29,576	18.9%
Utilities				
Gujarat Gas	M	593,000	3,753	2.4%
			3,753	2.4%
Total equity investments (including those held by ICG Q Limited)			**145,836**	**93.7%**
Cash less other net current liabilities			9,781	6.3%
Total Net Assets (before deferred taxation for Indian CGT)			**155,617**	**100.0%**
Deferred tax provision for Indian CGT			4,586	
Total Net Assets (after deferred taxation for Indian CGT)			**151,031**	

Notes:

L: Large cap – companies with a market capitalisation above US$7bn	12.0%
M: Mid cap – companies with a market capitalisation between US$1bn and US$7bn	45.0%
S: Small cap – companies with a market capitalisation below US$1bn	36.7%
	93.7%

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INDIA CAPITAL GROWTH FUND LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion the financial statements of India Capital Growth Fund Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and;
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were; • Valuation of the Company's investment in its subsidiary, and the valuation and ownership of the underlying investments • Going concern (see material uncertainty relating to going concern section) Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £1,510,300 which was determined on the basis of 1% of Net Assets.
Scoping	The Company was audited as a single component. Balances were scoped in for testing based on our assessment of risk of material misstatement. As part of our risk assessment process, we considered the impact of controls implemented at service organisations of the Company.
Significant changes in our approach	As part of our audit of the 2020 Financial statements we identified a material uncertainty in relation to going concern surrounding the outcome of the 31 December 2021 redemption event. This key audit matter has been removed for the current year as the level of redemptions requested at the year end redemption point have not significantly impacted the ongoing viability of the Company.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Challenging management's going concern assessment and the relevant disclosures in the financial statements including assessing the current economic environment and the Company's investment performance;
- Reviewing the operating budget of the Company for the next 12 months and challenging the forecast expenses, including the annual expenses these were covered by current cash balances;
- Obtaining the liquidity analysis prepared by Ocean Dial which assesses how quickly investments can be covered into cash; and
- Performed an independent review of trading volumes for all investments held by the Company and its subsidiary ICG Q Limited ("ICG Q") to challenge the liquidity analysis prepared by Ocean Dial.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT (continued)

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Valuation of the Company's investment in its subsidiary, and valuation and ownership of directly held investments

Key audit matter description

The Company's investments have a fair value of £148.8m (2020: £109.7m) as at 31 December 2021. Investments comprise listed equity securities of £10.5m and an investment in the Company's subsidiary ICG Q of £138.3m which is held at fair value.

Investments are the most significant balance on the Statement of Financial Position, errors or deliberate manipulation of valuations or of recorded investment holdings could result in a material misstatement to the financial statements.

Details of the investments are disclosed in notes 5 and 10 and the accounting policies relating to them are disclosed in note 1. Principal investments of the Company are disclosed on page 26 and the 31 December 2021 Portfolio statement has been disclosed on pages 27 and 28.

How the scope of our audit responded to the key audit matter

In order to test the valuation of the Company's investments as at 31 December 2021 we performed the following procedures:

- We obtained an understanding of the relevant controls relating to the valuation of investments, including controls adopted by the Company's administrators;
- We assessed the adequacy of the ISAE 3402 controls report prepared for the administrator by its service auditor to establish whether the valuation controls included within the report covered the NAV controls we were seeking to rely on and whether there were any exceptions identified by the service auditor;
- Reconciled the underlying equity shares held by the Company and ICG Q as at 31 December 2021 to an independently received custodian confirmation;
- Agreed the unit prices of all investments in the Company and ICG Q to independent pricing sources;
- We examined trading volumes for all investments held by the Company and ICG Q and for any investments that were not traded daily and performed further analysis to assess whether these investments were sufficiently liquid to be classified as a Level 1 investment;
- Tested the initial cost and cut-off of investment transactions by agreeing the purchase and sale of a sample of the Company's equity shares to independent confirmations; and
- Reconcile the net asset value of ICG Q to the investment value recorded in ICG's financial statements.

Key observations

We concluded that the valuation of investments in subsidiary, and valuation and ownership of directly held investments was appropriate.

INDEPENDENT AUDITOR'S REPORT (continued)

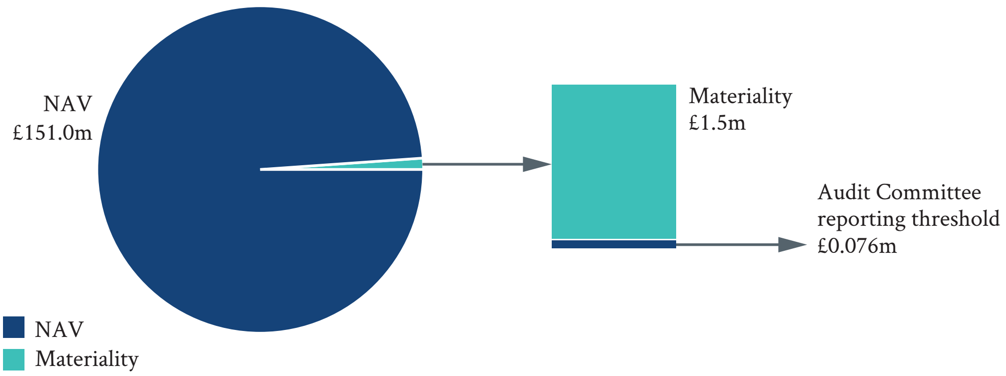
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1,510,300 (2020: £1,099,000)
Basis for determining materiality	1% of Net Assets, which is consistent with the prior year.
Rationale for the benchmark applied	Net Assets is the key balance considered by the users of the financial statements which is consistent with the market approach for such entities.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 60%). The performance materiality percentage was increased to 70% in the current year following a review of the Company's control environment and history of error. In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Company's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £75,500 (2020: £54,950), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal controls, and assessing the risks of material misstatement. The Company holds investments directly and indirectly through its wholly owned subsidiary ICG Q Limited. Our audit of the Company therefore included testing the valuation of the Company's investment in ICG Q Limited which required testing the underlying net asset value of ICG Q Limited.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. The Company is administered by a third-party Guernsey regulated service provider. As part of our audit, we obtained an understanding of relevant controls established at the service provider.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (continued)

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of the Company's investment in its subsidiary, and the valuation and ownership of the direct investments.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008; the Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

INDEPENDENT AUDITOR'S REPORT (continued)

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of the Company's investments in its subsidiary and the valuation and ownership of the direct investments and going concern as a key audit matters related to the potential risk of fraud. The key audit matter section of our report explains the matters in more detail and also describes the specific procedures we performed in response to the key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of the board and the Audit Committee and reviewing correspondence with the Guernsey Financial Services Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 18;
- the directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 18;
- the directors' statement on fair, balanced and understandable set out on page 21;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 15;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 15; and
- the section describing the work of the Audit Committee set out on page 14.

INDEPENDENT AUDITOR'S REPORT (continued)

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

S.W Crowley

Stuart Crowley FCA
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
18 March 2022

AUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Revenue £000	Capital £000	2021 Total £000	2020 Total £000
Income					
Dividend income		94	-	**94**	64
Foreign exchange gain		2	-	**2**	-
Net gain on financial assets at fair value through profit or loss	5	-	42,315	**42,315**	10,900
Total income		96	42,315	**42,411**	10,964
Expenses					
Operating expenses	3	(586)	-	**(586)**	(473)
Foreign exchange loss		-	-	**-**	(65)
Investment management fees		-	-	**-**	(42)
Transaction costs		(4)	-	**(4)**	(23)
Other expenses		-	-	**-**	(8)
Total expenses		(590)	-	**(590)**	(611)
Profit for the year before taxation		(494)	42,315	**41,821**	10,353
Taxation	6	(217)	-	**(217)**	-
Total comprehensive income for the year		(711)	42,315	**41,604**	10,353
Earnings per Ordinary Share (pence)	4			**37.12**	9.20
Fully diluted earnings per Ordinary Share (pence)	4			**37.12**	9.20

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 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 notes on pages 41 to 49 form part of these financial statements.

India Capital
GROWTH FUND

AUDITED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Financial asset designated at fair value through profit or loss	5	**148,786**	109,695
Current assets			
Cash and cash equivalents		**2,510**	129
Other receivables and prepayments		**180**	271
		2,690	400
Current liability			
Payables and accruals		**(247)**	(180)
Net current assets		**2,443**	220
Non-current liability			
Deferred Taxation	6	**(198)**	-
Net assets		**151,031**	109,915
Equity			
Share capital	8	**1,121**	1,125
Reserves		**149,910**	108,790
Total equity		**151,031**	109,915
Number of Ordinary Shares in issue	8	**112,089,729**	112,502,173
Net Asset Value per Ordinary Share (pence) - Undiluted and diluted		**134.74**	97.70

The audited financial statements on pages 37 to 49 were approved by the Board of Directors on 18 March 2022 and signed on its behalf by:-

Peter Niven

Patrick Firth

The notes on pages 41 to 49 form part of these financial statements.

AUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £000	Capital reserve £000	Treasury shares £000	Revenue reserve £000	Other distributable reserve £000	Total £000
Balance as at 1 January 2021		1,125	25,093	-	(10,524)	94,221	109,915
Gain on investments	5	-	42,315	-	-	-	42,315
Transfer to treasury shares account	8	(4)	-	412	-	(408)	-
Redemption of shares	8	-	-	(488)	-	-	(488)
Total comprehensive loss for the year		-	-	-	-	(711)	(711)
Balance as at 31 December 2021		1,121	67,408	(76)	(10,524)	93,102	151,031

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £000	Capital reserve £000	Treasury shares £000	Revenue reserve £000	Other distributable reserve £000	Total £000
Balance as at 1 January 2020		1,125	14,193	-	(10,524)	94,768	99,562
Gain on investments	5	-	10,900	-	-	-	10,900
Total comprehensive loss for the year		-	-	-	-	(547)	(547)
Balance as at 31 December 2020		1,125	25,093	-	(10,524)	94,221	109,915

The notes on pages 41 to 49 form part of these financial statements.

AUDITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Operating profit	**41,623**	10,353
Adjustment for:		
Net gains on financial asset at fair value through profit or loss	**(42,315)**	(10,900)
Foreign exchange (gain)/loss	**(2)**	65
Dividend income	**(94)**	(64)
Decrease/(Increase) in other receivables and prepayments	**91**	(118)
Increase/(Decrease) in payables and accruals	**265**	(14)
Cash used in operations	**(432)**	(678)
Tax paid	**(19)**	-
Net cash flows used in operating activities	**(451)**	(678)
Cash flows from investing activities		
Dividend income	**94**	64
Acquisition of investments	**(1,029)**	(7,605)
Disposal of investments	**4,253**	4,697
Net cash flows from/(used in) investing activities	**3,318**	(2,844)
Cash flows from financing activity		
Redemption of shares	**(488)**	-
Net cash used in financing activity	**(488)**	-
Net increase/(decrease) in cash and cash equivalents during the year	**2,379**	(3,522)
Cash and cash equivalents at the start of the year	**129**	3,716
Foreign exchange gain/(loss)	**2**	(65)
Cash and cash equivalents at the end of the year	**2,510**	129

The notes on pages 41 to 49 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

The financial statements for the year ended 31 December 2021 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 November 2014, and subsequently revised in November 2019, 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.

Going concern

The Board made an assessment of the Company's ability to continue as a going concern for the twelve months from the date of approval of these financial statements taking into account all available information about the future including the liquidity of the investment portfolio held both by the Company and its subsidiary, ICG Q Limited (73.9% of the portfolio can be liquidated within 5 days); the performance of the investment portfolio (the net asset value of the Company increased 37.9% in the year); the overall size of the Company and its impact on the Ongoing Charges of the Company (the net asset value of the Company exceeded £100m throughout the year); the level of operating expenses covered by highly liquid investments held in the portfolio (operating expenses are 48 times covered by highly liquid investments); and the length of time to remit funds from India to Mauritius and Guernsey to settle ongoing expenses (no more than 10 days to have investments liquidated and sterling funds in Guernsey).

Given the Company's previous performance, the Directors proposed a continuation ordinary resolution at the Extraordinary General Meeting held on 12 June 2020, at which the Shareholders approved that the Company continue as currently constituted and introduce a redemption facility which gives the ordinary shareholders the ability to redeem part or all of their shareholding at a Redemption Point every two years. The first Redemption Point was on 31 December 2021 when valid redemption requests were received in respect of 15,608,872 ordinary shares (13.9% of the then issued share capital) which were subsequently redeemed under the redemption facility at a total cost of £19.7m in accordance with the announced timetable. The next date at which shareholders will be able to request the redemption of some or all of the shares will be 31 December 2023.

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.

Impact of IFRS 10 'Consolidated Financial Statements'

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

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

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

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

The IFRS 10 Investment Entity Exemption requires investment entities to fair value all subsidiaries that are themselves investment entities. As the subsidiary meets the criteria of an investment entity, it has not been consolidated. On the basis of the above, these financial statements represent the stand-alone figures of the Company.

Expenses

Expenses are accounted for on an accruals basis. Other expenses, including management fees, are allocated to the revenue column of the statement of profit or loss and other comprehensive income.

Taxation

Full provision is made in the statement of profit or loss and other comprehensive income at the relevant rate for any taxation payable in respect of the results for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all temporary differences at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Statement of Financial Position date. This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred taxation assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise, using enacted taxation rates that are expected to apply at the date the deferred taxation position is unwound.

Investments

The Company's investment in ICGQ Limited is designated at fair value through profit or loss as the Company meets the definition of an investment entity under IFRS 10. 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.

The basis of the fair value of the investment in the underlying subsidiary, ICG Q Limited, is its Net Asset Value. ICG Q Limited's investments are designated at fair value through profit and loss.

Portfolio investments held by the Company are stated at the mid-market price quoted on the Indian Stock Exchanges. Purchases and sales are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Realised gains and losses are calculated with reference to book cost on a FIFO (First in First out) basis.

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.

Impairment of financial assets

The Company holds only cash and cash equivalents with reputable institutions at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Receivables and Payables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment, such impairment to be determined using the simplified expected credit losses approach in accordance with IFRS 9. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss. The losses arising from impairment are recognised in profit or loss.

Other financial liabilities include all financial liabilities, other than those classified as at FVPL. The Company includes in this category short-term payables.

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 presentational currency of the financial statements.

Monetary foreign currency assets and liabilities 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 consists of Bank current accounts. 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.

Share capital

The share capital of the Company consists of Ordinary Shares which have all the features and have met all the conditions for classification as equity instruments under IAS 32 (amended) and have been classified as such in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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

The following standards (some of which are amendments to existing standards) are effective for the first time for the financial period beginning 1 January 2021 and are relevant to the Company's operations:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)

The following standards and amendments have been issued and are mandatory for accounting periods beginning on or after 1 January 2021 but are not relevant or have no material effect on the Company's operations or financial statements:

Standards, interpretations and amendments to published statements not yet effective

- Amendments to IAS 12 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021).

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.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 10. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING EXPENSES

	2021 £000	2020 £000
Administration and secretarial fees	**55**	42
Audit fees	**27**	45
Broker fee	**31**	30
D&O insurance	**12**	6
Directors' fees and expenses	**111**	88
General expenses	**101**	64
Marketing expenses	**53**	55
Other professional fees	**171**	115
Registrar fee	**5**	5
Tax Exempt fee	**1**	1
Regulatory fees	**19**	22
	586	473

4. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per Ordinary Share and the fully diluted loss per share are calculated on the profit for the year of £41,604,000 (2020 – profit of £10,353,000) divided by the weighted average number of Ordinary Shares of 112,089,729 (2020 – 112,502,173).

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

Financial assets at fair value through profit or loss consists 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:

	2021 Total £000	2020 Total £000
Fair value at beginning of year	**109,695**	95,887
Disposal of investments	**(4,253)**	(4,697)
Acquisition of investments	**1,029**	7,605
Realised gains/(losses) on disposal of investments	**2,664**	(1,214)
Unrealised gains on revaluation	**39,651**	12,114
Fair value at end of year	**148,786**	109,695

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The net realised and unrealised gains totalling £42,315,000 (2020: £10,900,000) on financial assets at fair value through profit and loss comprise of gains on the Company's holding in ICG Q Limited to the extent of £40,229,000 (2020: gains of £11,733,000) and gains of £2,086,000 (2020: losses of £833,000) 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.

	2021 Total £000	2020 Total £000
Dividend income	**1,095**	886
Other income	**19**	-
Unrealised gains on financial assets at fair value through profit and loss	**38,681**	8,573
Foreign exchange loss	**12**	(16)
Realised gain on disposal of investments	**6,724**	3,499
Investment management fees	**(1,507)**	(949)
Other operating expenses	**(52)**	(69)
Withholding tax on dividend income	**(226)**	(80)
Deferred taxation for Indian Capital Gains Tax	**(4,388)**	-
Other Taxes	**(13)**	(2)
Transaction costs	**(97)**	(109)
Net profit of ICG Q Limited	**40,248**	11,733

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 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 year ended 31 December 2021, the Company had a tax liability of £Nil (2020: £Nil).

India

Capital gains arising from equity investments in Indian companies are subject to Indian Capital Gains Tax Regulations. Consequently with effect from April 2020, the Company and its subsidiary, ICGQ Limited, have been subject to both short and long term capital gains tax in India on the growth in value of their investment portfolios at the rate of 15% and 10% respectively. Although this additional tax only becomes payable at the point at which the underlying investments are sold and profits crystallised, the Company and its subsidiary must accrue for this additional cost as a deferred taxation liability, notwithstanding that they seek to minimise the impact of these taxation rates applicable to capital gains by maintaining its investment strategy of investing in a concentrated portfolio for long term capital appreciation. The deferred taxation liability relating to Indian capital gains tax for the Company was £198,000 at 31 December 2021 (2020: £Nil) and for its subsidiary was £4,388,000 at 31 December 2021 (2020: £Nil).

Dividend withholding tax

The Company and its subsidiary are also subject to withholding tax on their dividend income in India. The withholding tax charge for the Company for the year ended 31 December 2021 was £19,000 (2020: £10,000) and for its subsidiary was £226,000 (2020: £80,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. SEGMENTAL INFORMATION

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Company's activities form two segments under the standard. From a geographical perspective, the Company's activities are focused in two areas – Mauritius and India. The subsidiary, ICG Q Limited, focuses its investment activities in listed securities in India. Additional disclosures have been provided in this Annual Report as elaborated in the Directors" Report to disclose the underlying information.

8. SHARE CAPITAL

Authorised Share Capital

Unlimited number of Ordinary Shares of £0.01 each

Ordinary Shares of £0.01 each	Number of shares	Share capital £000
At 31 December 2020	112,502,173	1,125,021
Shares held in treasury	(412,444)	(4,124)
At 31 December 2021	112,089,729	1,121,897

The Ordinary Shares of the Company carry the following rights:

(i) The holders of Ordinary Shares have the right to receive in proportion to their holdings all the revenue profits of the Company (including accumulated revenue reserves) attributable to the Ordinary Shares as a class available for distribution and determined to be distributed by way of interim and/or final dividend at such times as the Directors may determine.

(ii) On a winding-up of the Company, after paying all the debts attributable to and satisfying all the liabilities of the Company, holders of the Ordinary Shares shall be entitled to receive by way of capital any surplus assets of the Company attributable to the Ordinary Shares as a class in proportion to their holdings.

(iii) Subject to any special rights or restrictions for the time being attached to any class of shares, on a show of hands every member present in person has one vote. Upon a poll every member present in person or by proxy has one vote for each share held by him.

In light of the redemption facility available to the Company as per its prospectus, there was a buy back of 412,444 ordinary shares during the year ended 31 December 2021. These shares were transferred from Issued Share Capital Account to Treasury Shares Account and were traded at a discount to the Net Asset Value per share on occasion, as per below:

Date	Number of shares	Par Value (£)	Buy Back Price (£)
24 November 2021	67,500	0.01	1.1981
30 November 2021	50,000	0.01	1.20
2 December 2021	44,944	0.01	1.20
3 December 2021	100,000	0.01	1.18
21 December 2021	100,000	0.01	1.15
30 December 2021	50,000	0.01	1.21

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. 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 31 December 2021 is as follows:	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	**10,432**	**-**	**-**	**10,432**
Unlisted securities	**-**	**138,354**	**-**	**138,354**
Total	**10,432**	**138,354**	**-**	**148,786**

The analysis as at 31 December 2020 is as follows:	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	8,419	-	-	8,419
Unlisted securities	-	101,276	-	101,276
Total	8,419	101,276	-	109,695

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 ICG Q Limited are categorised as level 1 at 31 December 2021 and 2020. The year-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.

There has been no movement between levels for the year ended 31 December 2021. There were no changes in valuation techniques during the year ended 31 December 2021.

10. 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 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 year ended 31 December 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments and risk profile (continued)

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 31 December 2021, 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 (2021: 93.7%; 2020: 90.4%) to any movement in the BSE Mid Cap Total Return Index.

At 31 December 2021, with all other variables held constant, this approximation would produce a movement in the net assets of the Group's investment portfolio of £14,584,000 (2020: £10,774,000) for a 10% (2020: 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 consists 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 Company. 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 31 December 2021, if the Indian Rupee had strengthened or weakened by 10% (2020: 10%) against Sterling with all other variables held constant, pre-tax profit for the period would have been £14,281,000 (2020: £10,115,000) 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.

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 31 December 2021 was £1,688,130 (2020: £2,047,000).

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 long-term credit rating of AAA (CRISIL Ratings – a S&P company).

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments and risk profile (continued)

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 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.

11. 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 in the unaudited Directors' remuneration report.

During the year 2021, the investment management fee was equivalent to 1.25 per cent per annum of the aggregate value of its assets less current liabilities, calculated and payable monthly in arrears. The Investment Manager earned £1,507,000 in management fees during the year ended 31 December 2021 (2020: £664,000) of which £144,000 was outstanding at 31 December 2021 (2020: £98,000).

Under the terms of the Administration Agreement, Apex Fund and Corporate Services (Guernsey) Limited is entitled to a minimum annual fee of US$41,000 or a 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 £55,000 for administration and secretarial services during the year ended 31 December 2021 (2020: £42,000) of which £30,000 was outstanding at 31 December 2021 (2020: £10,000).

12. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 31 December 2021 and at the date of approving these financial statements.

13. SUBSEQUENT EVENTS

During the month of January 2022, 15,608,872 ordinary shares, equivalent to 13.9 per cent of the shares in issue as at 31 December 2021 (excluding treasury shares), were redeemed at 126.2613p per Redemption Share. These Redemption Shares were held in treasury following the redemption, with 200,000 shares subsequently being sold from treasury. The redemption of shares paid in January 2022 resulted in a £19.7m reduction in the net asset value of the Company since the year end.

The Company bought 30,201 ordinary shares at a price of 108.00p per share on 18 February 2022 and 50,000 ordinary shares at a price of 105.50p per share on 23 February 2022 as part of the share buyback initiative.

Following the transactions, the Company's issued share capital comprises:

- 96,600,656 ordinary shares (excluding treasury and redemption shares)
- 15,901,517 ordinary shares held in treasury (including redemption shares)
- 112,502,173 ordinary shares (including treasury and redemption shares)