

India Capital

GROWTH FUND

Annual Report & Audited Financial Statements

2022

FOR THE YEAR ENDED 31 DECEMBER 2022

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MANAGEMENT & ADMINISTRATION

DIRECTORS

Elisabeth Scott (Chair)
Patrick Firth
Lynne Duquemin
Nick Timberlake (appointed 19 July 2022)
Peter Niven (retired 21 September 2022)

CUSTODIAN

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3rd floor, 27 BKC
C-27 G Block
Bandra Kurla Complex
Bandra East
Mumbai 400 051 India

REGISTERED OFFICE

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Royal Avenue
St. Peter Port
Guernsey GY1 2HL

BROKER AND SPONSOR

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

INVESTMENT MANAGER

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

REGISTRAR

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
Birmingham B62 8HD

ADMINISTRATOR AND SECRETARY

Apex Fund and Corporate Services (Guernsey) Limited
1 Royal Plaza
Royal Avenue
St. Peter Port
Guernsey GY1 2HL

INDEPENDENT AUDITOR

Deloitte LLP
Regency Court
Gategny Esplanade
St Peter Port
Guernsey GY1 3HW

CHAIR'S STATEMENT

After a very strong year for Indian equity markets in 2021, 2022 saw Indian equities show a positive performance, contrasting with the negative returns experienced in other global equity markets. While the global economy and equity markets suffered from Russia's shock invasion of Ukraine and the consequent increase in energy prices, India's economic momentum gained pace, with capital expenditure growing, the real estate sector showing signs of recovery and consumer demand continuing to rise. With healthy foreign exchange reserves (the fourth largest in the world at USD560bn¹), the currency has been resilient, compared with previous economic shocks despite the headwind of high oil prices.

PERFORMANCE

Your Company reported growth in its Net Asset Value (NAV) of 3.9% over the year, which compared favourably to the benchmark index, the S&P BSE Midcap Total Return Index, which rose by 3.2%. The share price rose by 7.7% as the discount narrowed over the year. Key to this outperformance was the overweight position in the financial sector, where the Company's long term holdings in Federal Bank and IndusInd Bank performed well.

The Investment Manager's Report provides more information on the performance of the companies held in the Company's portfolio. The Report illustrates how the Manager's long term active style continues to benefit performance.

ENVIRONMENT, SOCIAL & GOVERNANCE ("ESG")

The Board is pleased that the Investment Manager has continued to build its ESG capability. The bespoke in-house process allows the Manager to screen out companies with corporate governance issues. One such example was the Manager's decision to avoid all the Adani Group of companies, which hurt performance in 2021 and 2022, but, following the year end, has been justified by the recent exposure of some alleged doubtful business practices resulting in a sharp fall in the Adani Group companies' share prices.

The Manager continues to engage with the management of portfolio companies to persuade them to improve their disclosures of their ESG practices. In an example of this, JK Lakshmi Cement published its first detailed sustainability report. It is probable that disclosure levels will improve in India. The Securities Exchange of India has announced that the top 1000 companies by market capitalisation will be required to make ESG disclosures.

¹ Source: Bloomberg

REDEMPTION FACILITY

The second redemption point at which shareholders in the Company can request redemption of part or all of their shareholding on the record date of 30 September 2023 will be on 31 December 2023. The Board has agreed that the exit discount at this redemption point will be no more than 3%. Shareholders will be reminded of this in the interim report and again in market announcements before the final notice date.

Further details of the Redemption Facility are available on our website www.indiacapitalgrowth.com

DISCOUNT

The Company's share price discount to NAV began the year at 11.1% and closed at 7.9% reaching a month end low of 6.8% during the year. This discount was narrower than or in line with many other closed ended investment companies, especially those investing in emerging markets.

Over the year the company bought back 165,204 of its shares in the market at average price of 102.86p per share. The Board believes that it is in shareholders' interests that the Company's share price should more closely reflect the prospects of the Company. The Board also notes that the repurchase of shares at a discount to NAV is accretive to the NAV of the Company. The Board works with the Company's broker, Shore Capital, in this regard.

CORPORATE GOVERNANCE

The Company is a member of the Association of Investment Companies (AIC) and seeks to follow best practice regarding appropriate disclosures 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 the Company's website or the Company Secretary.

We welcomed Nick Timberlake to the Board in July 2022. As you will read in his biography later in this report, Nick has considerable experience of the asset management sector and emerging markets in particular.

CHAIR'S STATEMENT continued

INVESTMENT MANAGER

On 6 March 2023 we announced that AssetCo PLC, founded and chaired by Martin Gilbert, has acquired the Company's investment manager, Ocean Dial Asset Management Limited, subject to regulatory approvals from the FCA and regulators in India. The Board supports this transaction and welcomes the change in ownership to a more fully resourced UK asset management group. Most importantly, the successful investment team in India, led by Gaurav Narain, continues unchanged.

INVESTOR RELATIONS

Ocean Dial has conducted a number of webinars for current and prospective shareholders in India Capital Growth 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 contact us via the Company's website or the Company Secretary if they 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 during the year. 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

Despite all the global uncertainties of 2022, it is clear that India and its economy have been resilient in the face of these challenges and that investors in emerging markets have favoured India over the stock markets of other emerging markets. While it is reasonable to expect that other emerging markets may catch up in terms of relative performance, the outlook for the Indian economy is positive and Indian companies will benefit from this and from the improvement in governance standards.

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

29 March 2023

INVESTMENT MANAGER'S REPORT

INTRODUCTION

2022 may not have been as good as 2021 in terms of absolute performance for Indian equities but it was a great year for India especially against other emerging markets. India also stood out in terms of relative performance against global equities which had their worst year since 2008.

The Company's net asset value (after deferred tax provisions for Indian CGT) rose 3.9% (37.9% in 2021), whilst its index (S&P BSE Midcap Total Return) rose 3.2%, (39.7% in 2021). Emerging Markets as a whole (MSCI EM GBP) fell 13% in 2022, further highlighting India's comparative strength.



The performance is particularly gratifying as it comes on the back of a challenging global environment – the Russia Ukraine War; a spike in oil prices; rising interest rates; and a flight of capital out of emerging markets including India. In the past, the occurrence of any one of these factors would have led to a sell-off in the Indian equity markets.

The economy has shown **resilience**, and this is a word we used repeatedly to describe India in the year 2022 which demonstrated that the fundamentals of the economy are stronger than ever. The Government strategy of limiting “freebies” during Covid but instead increasing spending on capex to aid the growth recovery, had a positive impact. We would like to highlight three areas which displayed resilience and continue to do so:

1. Growth

2022 had seen a bounce-back in growth, yet there remained concerns on its sustainability as there was an element of pent-up demand. As the year progressed, our conviction on the momentum being maintained continued to increase with several high frequency data points supporting our view:

- **Government tax collections (direct and indirect);** grew at 20%, well ahead of the Government's own estimates of 7% at the beginning of the financial year. These surplus revenue collections cushioned the blow of higher subsidy bills on food & fertilisers (due to the war in Ukraine) and ensured that the Government was not constrained in sustaining its capex plans.

INVESTMENT MANAGER'S REPORT continued

- **Revival of private sector capex cycle:** While the Government's aggressive spend on infrastructure, particularly road and railways was evident, the capex in the private sector had been lagging. During the year, the Government rolled out more measures and policies to incentivise the private sector and capitalise on the relocation of global supply chains from China. The response has been positive with initial announcements of capex spends coming through. Capital goods and industrial companies are seeing order books swell. Additionally, Indian companies are also gaining from diversification of supply chains, especially in the electronic manufacturing space. Companies in textiles, auto components, healthcare and capital goods are also seeing incremental business.
- **Revival in the real estate sector:** Unlike the western world or China, the real estate sector is coming out of a 7-year slump in India. 2021 saw a bounce back, with 2022 maintaining the momentum despite rising costs. The top 8 cities saw a 35% increase in new house registrations. The outlook remains promising despite interest rate increases as affordability is still high compared to earlier years. This sector is the second largest employment generator, with both urban housing and rural housing (driven by Government capex) reviving, we see a big multiplier effect on the economy.
- **Sustained consumption:** Despite high inflation, consumption demand broadly held up. It was, however, a mixed bag with urban India including tier 3 & 4 cities (65% of demand), doing well, while rural India saw a slow-down. This trend is most visible in the auto sector, where passenger vehicle sales in 2022 ended at 3.8mn units, the highest ever in a calendar year, while two wheeler sales (a more rural product) were still trending 20% lower than previous peaks. Rural demand is expected to revive as a good harvest, higher crop prices and Government spending is beginning to have a positive impact. In addition, with inflation declining, fears of a slowdown in urban India are receding.

2. Currency

India runs a current account deficit because of its large oil import bill (circa 85% of its oil is imported accounting for a third of total imports). Hence, in past global crises, the Indian Rupee has typically depreciated 20-30% over a short period of time. In Calendar Year (CY)22, the Rupee depreciated 11% against the US Dollar, a modest decline compared to many other emerging markets currencies. This was despite oil spiking to US\$120 per barrel and Foreign Institutional Investors (FIIs) being net sellers of Indian equities. Several structural factors have added to this resilience of the Rupee:

- Fourth largest foreign currency reserves in the world at US\$ 560bn+, enabling the Reserve Bank of India (RBI) to protect the currency, if required, in extreme events.¹
- Significantly higher Foreign Direct Investments (FDIs). Gross FDI inflows averaged US\$ 75-85bn per annum over the last three years compared with an average of US\$ 40-50bn earlier. This has provided stability to capital flows despite volatile FII flows.²
- Rising inward remittances from non-resident Indians – circa US\$ 100bn in 2022, the highest inward remittance in any country.³
- Rising exports of IT Services - circa US\$ 178bn in 2022, higher than the oil imports.⁴

The rising inward remittances and exports of IT services surpassing the oil import bill has taken substantial pressure off the current account deficit and in turn, the currency. Over time, the currency movements should mainly be a function of inflation and growth difference between countries and less of a structural worry.

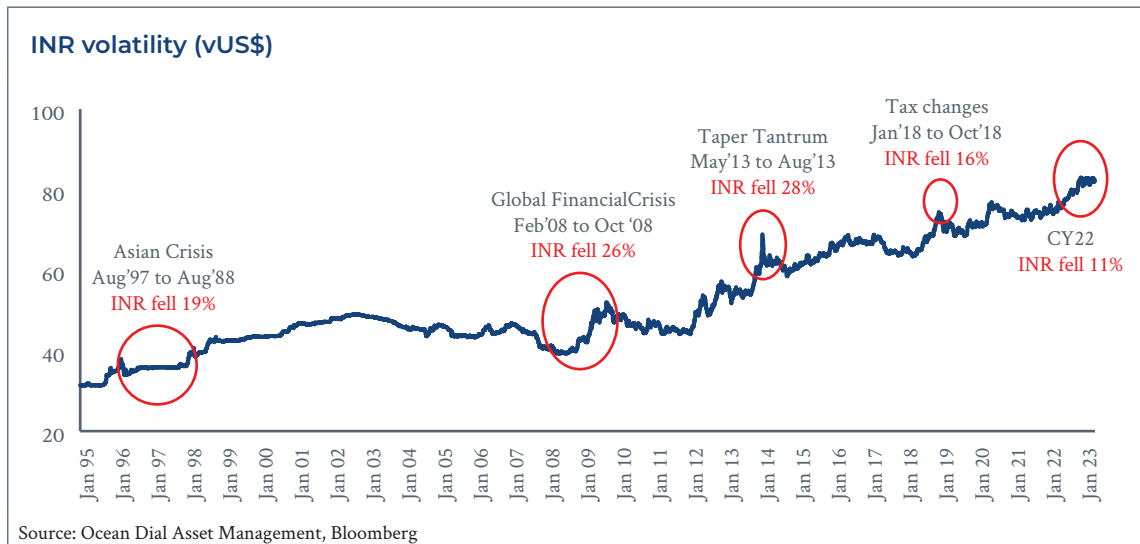
¹ Source: Bloomberg

² Source: RBI

³ Source: <https://www.moneycontrol.com/news/business/economy/just-4-countries-account-for-54-of-remittances-to-india-which-will-hit-a-record-this-year-shows-data-9637001.html>

⁴ Source: for IT service exports – data from NASSCOM. For Oil imports – data from PPAC

INVESTMENT MANAGER'S REPORT continued

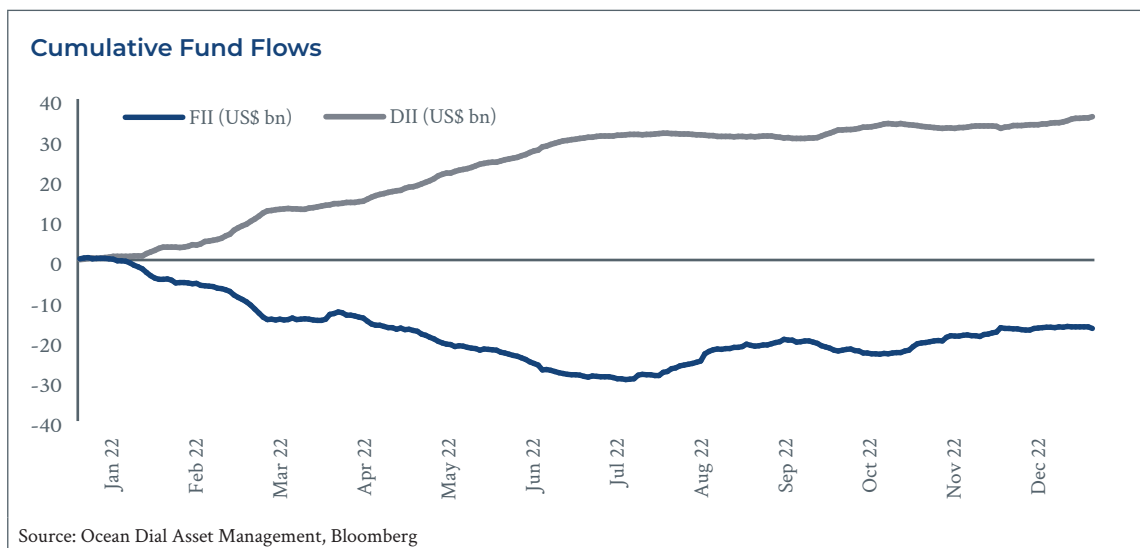


3. Market

Like most emerging markets, India had net FII outflows during CY22 (circa US\$ 17bn). In the first half of 2022 FII outflows were US\$28.5bn and yet the markets remained stable, bucking earlier trends of FII selling which led to big corrections. This was predominantly due to Domestic Institutional Investors (DIIs) which includes local mutual funds, emerging as a strong and steady buyer.

Retail investors have been increasingly participating in Indian equities through domestic mutual funds mainly via regular monthly Systematic Investment Plans (SIPs) with net inflows of US\$ 35bn in domestic equity funds in CY22. With an average ticket size of circa US\$ 25, mainly from retail investors from tier 3 and 4 cities, these SIP inflows have been trending at over US\$ 1bn per month for the last 50 months. This is despite rising property prices and rising interest rates which have historically been a favoured asset class alongside gold, indicating this trend is structural in nature.

With the share of FII's ownership in the equity market declining to 19% and the share of domestic institutions increasing to a high of 24%, the market volatility is likely to decline.



INVESTMENT MANAGER'S REPORT continued

OUTLOOK FOR 2023

As we enter 2023, we are confronted with divergent commentaries: a) Western economies where discussions are centred around the probability of a recession; and b) positive and optimistic India where sustaining a 6-8% GDP growth for the next decade is the focal point of discussion. The positive outlook is reinforced by IMF / World Bank forecasts which list India as being among the fastest growing large economies in the world in the short term, and over the next decade emerging as the 3rd largest economy globally (India's GDP surpassed that of the UK in Q4 2022 to make it the 5th largest economy in the world). The Government has set a target of being a US\$ 10tr economy in the next decade (compared with US\$ 3.5tr at present). This optimism is also reflected in the management commentary of most corporates.

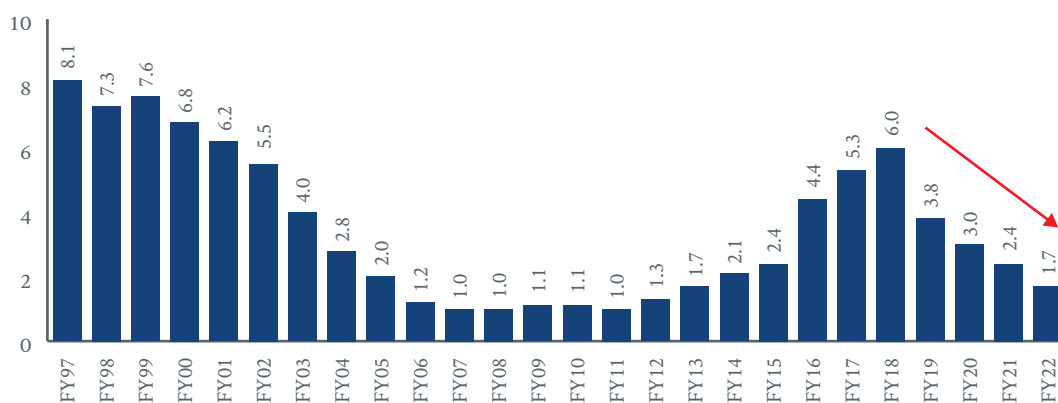
So, as we enter 2023, two questions dominate the thought process:

- (i) Will India be able to deliver on earnings expectations – running at 14-15% p.a. earnings growth for the market over the next two years (FY24/FY25)?
- (ii) Can the elevated valuations (both absolute and relative) be justified?

To answer the first question, there are several enabling factors at play, namely:

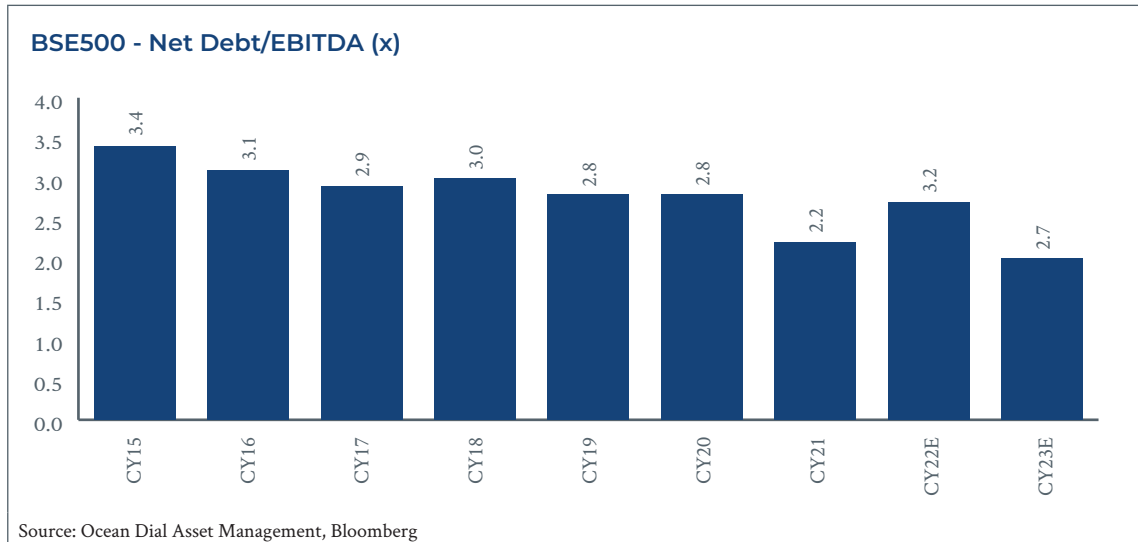
1. India's traditional bottlenecks such as poor infrastructure; the long lead time in getting regulatory approvals; the difficulty in purchasing land; and the high costs and availability of capital are no longer topics of conversation. In fact, States are competing with each other to attract investments. Even elections are being fought on development and growth rather than just caste and religion.
2. India is now competitive with other emerging markets on the cost front. Labour cost is one third that of China and tax rates are amongst the lowest in Asia, while specific incentives through Production Linked Incentive (PLI) schemes are offsetting other disadvantages. There is a recognition that India needs to be a manufacturing hub if it needs to employ its growing young population.
3. A public owned, low-cost, high volume digital infrastructure backbone has also helped India leapfrog several years in not just improving the ease of doing business, but also in the mainstreaming of the masses and small town India with the rest of the economy.
4. As highlighted earlier, the private sector capex cycle (and real estate) appears to be gaining momentum. Capacity utilisation levels have crossed 75% and companies have announced increased capex plans.
5. With the general elections in 2024 (and 9 States going to election in 2023), it is critical for, and expected from, the Government to sustain and encourage growth.
6. There is little stress in the banking system. Non-Performing Loans are at near record lows, banks are well capitalised and are ready to invest. The same goes for corporate India which has low leverage.

Banking Industry - Net Non Performing Loans (%)



Source: Ocean Dial Asset Management, RBI

INVESTMENT MANAGER'S REPORT continued



Simultaneously, there are areas of uncertainty:

1. At the consumption level, it is difficult to estimate the potential impact on demand due to high inflation. As highlighted earlier, urban demand has been strong, though there are pockets of weakness emerging especially in the discretionary space such as consumer durables and building materials, etc. This is however, not reflected in retail credit growth and with inflation having peaked, it is likely to be temporary and is expected to be offset by improvements in rural demand. Hence consumption demand should broadly hold up.
2. The possible impact of a weakening global economy on India's exports which in turn could hamper growth. There are mitigating factors to argue that India should be less impacted than other markets though with India being the 5th largest economy, the global linkages cannot be discounted. These factors include:
 - A smaller share of India in global manufacturing exports (1.8% only)
 - GDP forecasts already being revised downwards to reflect a possible slowdown (6.1% from the earlier 8.4%, per IMF forecasts)
 - India gaining from the reallocation of global supply chains.

In summary, given the positive domestic levers, India should remain amongst the faster growing large economies. Also, unlike 2022, when revenue growth (led by price increases) was the driver of earnings, FY24 would likely be the opposite. We expect modest revenue growth (driven more by increase in volumes) and are confident that the corporates will be broadly able to achieve earnings growth of 14-15%, largely driven by rising margins as the costs normalise.

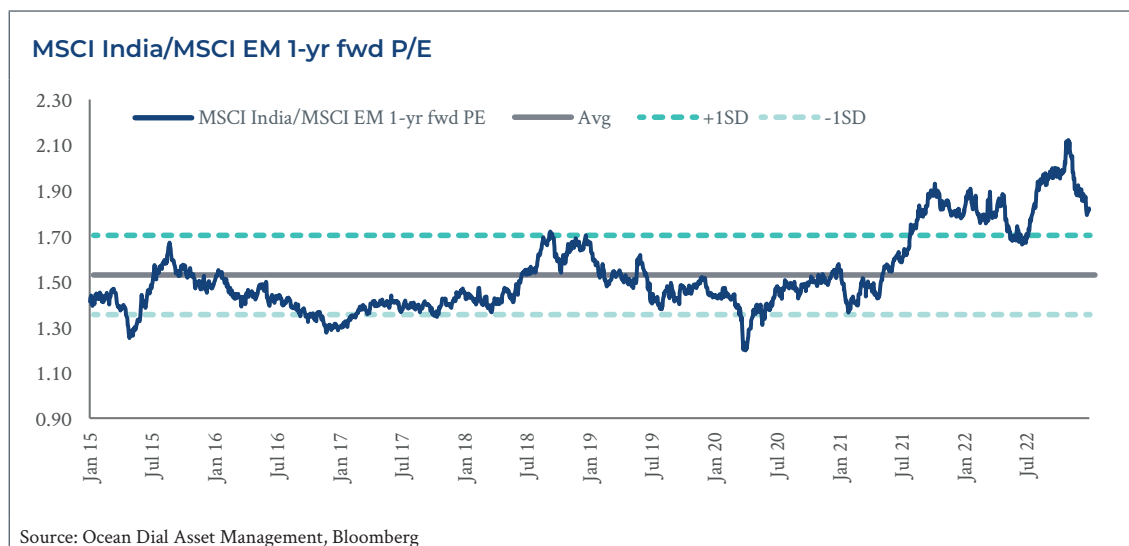
To answer the second question on elevated valuations, it is imperative to highlight that;

- the Indian market is trading above its historical average; and
- the valuation premium to emerging markets has increased, possibly making the rest of emerging markets look more attractive than India on a risk reward basis.

It is equally important to note that India has historically traded at a premium to emerging markets for the following reasons:

- Higher growth – this will remain, and the growth differential is likely to increase; and
- Higher return on equity (ROE) – this is structural in nature due to a more diversified market, the nature of listed companies and higher cost of capital, which collectively force companies to be more capital efficient.

INVESTMENT MANAGER'S REPORT continued



However, what has changed is the broad-based participation of the domestic retail investor, highlighted earlier as a trend which is most likely to sustain. This absorbed circa US\$ 17bn of FII selling in 2022. The relative valuation gap can thus largely be attributed to India's resilience in absorbing such substantial selling pressure, which perhaps other emerging markets may not have been able to withstand.

The key issue is whether India would be able to trade at higher valuations than its historical average (approximately 10% premium to historical average). It should be noted that over the past 12 months, valuations have been trending downwards as earnings have played catch up. This is a trend that may continue in the future, which implies that:

1. 2023 could be a year of modest returns, driven by earnings growth, but a possible correction in valuations.
2. With China opening up, the valuation premium over emerging markets could narrow.
3. With India's share in the MSCI emerging market index increasing, India could benefit from higher allocations from passive funds should emerging market funds get inflows. This could be the joker in the pack.
4. In either case, the markets should be less volatile going forward with domestic flows providing the cushion. The risk of further FII outflows should be mitigated.

From Ocean Dial's perspective, the focus remains on the individual stock valuations at a portfolio level, rather than concerns on the global macro front or on market valuations. Companies delivering on earnings expectations and our own estimate of fair value remains the key focus. In this aspect, we find over 55% of the portfolio trading below their fair value on FY24 earnings. However absolute returns on FY24 earnings appear moderate. The big returns will come as we move towards FY25 earnings, with high earnings growth likely to drive returns.

ESG CONSIDERATIONS

We believe the integration of ESG factors in our investment decision making will help to improve the Company's long term risk adjusted returns. Consequently, ESG measurement and risk impact scoring have become an integral part of our investment process facilitated by the ongoing development of our bespoke internal ESG scoring model which compares and rates each company within our portfolio. An illustration of this scoring model is provided in the ESG report which highlights our focus on the direction of travel, rather than the absolute numbers in isolation, in reporting upon and reducing the climate impact factors of companies in the portfolio. 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 engagement with management is at the core of our investment process. Our 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 as corporate headquarters in order to build a clearer

INVESTMENT MANAGER'S REPORT continued

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.

PORTFOLIO ATTRIBUTION AND POSITIONING

Over the year, the net asset value of the portfolio rose by 4.3% (before deferred tax provisions for Indian CGT, 3.9% is the performance post CGT) compared to the benchmark S&P BSE Midcap TR index returning 3.2% in sterling terms. The portfolio is positioned to take advantage of key themes we see playing out over the next few years - namely a) mainstreaming of digitization; b) China+1 and de-risking of global supply chains; c) consumption revival and d) domestic capex recovery. These have played out well. Sector allocation was the main driver of positive performance, though stock selection also contributed.

Reflecting on the performance during 2022

At a sector level, the main contributors to positive performance were healthcare, financials, energy, consumer staples, materials and communication services. Sectors that dragged performance lower were led by information technology, utilities and industrials.

At a stock level, financials led the way with all four banks in the portfolio led by Federal Bank (up 71%) and IndusInd Bank (up 39%) delivering positive returns on the back of strong operating performance. Ramkrishna Forgings (auto ancillary) also rose 40% driven by a bounce back in the domestic commercial vehicle sales and new order wins in exports. In the Industrial space, Skipper (engineering products) rose 61% while PSP Projects (construction company) rose 46%. Both companies have seen a rise in their order books as the capex cycle picks up pace. Another notable performer was Jyothy Labs (consumer staples) which rose 51% on the back of consistently delivering above market revenue growth with market share gains. Within materials, JK Lakshmi was among the top performing Cement companies.

Adverse stock performers were led by the global facing companies, all of which corrected in anticipation of slowdown in growth rates. This was led by Welspun India (Textiles) down 46%. Both our IT service companies, Tech Mahindra (down 40%) and Persistent (down 20%) also de-rated, even though earnings remained robust. Sona BLW (Auto Ancillary) also declined 43% on fears of a global auto slowdown. At an index level, our absence in Varun Beverage (consumer staple) which rose 125% and Adani Power (utility) which rose 201% also detracted from our performance.

We continue to hold on to our underperforming companies as the business models remain robust and do not alter our long-term thesis on these businesses. Moreover, the price correction makes valuations even more compelling as it has not been accompanied by a similar downgrade in earnings.

The portfolio finished the year with 35 stocks. Gujarat Gas (city gas distribution), Aegis Logistics (gas and liquid logistics), Star Healthcare (general insurance) and Divis Laboratories (pharmaceuticals) were sold during the year. Six portfolio additions were made including Vedant Fashions (garments), Coforge (IT Services), Cholamandalam Investments (non-bank financial company), Star Healthcare (general insurance), Ashok Leyland (commercial vehicle) and Uniparts (auto ancillary). Star Healthcare was added and exited during the year because of the strong run-up in price (over 30%) during our holding period. Our portfolio turnover remained low at 12.6%. We have been actively and consciously managing the individual stock weights and have used the volatility to book gains or add weight to several stocks within the portfolio.

Current positioning and expectations thereof

As we enter 2023, our largest sector exposure is in the financial space which has a long runway on growth, low risk on credit quality for the next 2 years (at the very least), and yet valuations are reasonable. Credit growth is trending in double digits and banks are well capitalised.

Our second largest exposure is in consumer companies which are our earnings compounders. We have a wide range of consumer businesses from staples, building materials, quick service restaurants, garments and even electronic manufacturing services. The consumer portfolio has seen a decisive tilt towards more discretionary plays over staples. We are playing the pick-up in domestic growth and real estate revival through exposure in cement (11%) and industrial (5%) stocks. At the same time we are also well positioned to capitalise on the gains India is likely to make as economies rebalance supply chains out of China. There are several stocks across sectors which are already seeing a positive impact including Dixon & Kajaria (consumer), Welspun (textiles), Skipper (industrial). Others like PI Industries & Aarti (specialty chemicals) are also potential gainers.



INVESTMENT MANAGER'S REPORT continued

With respect to our benchmark, our overweights are in financials, IT and metals. Our metals exposure is not through any global commodities but instead through cement and speciality chemicals companies. We are underweight healthcare, having exited Divis Laboratories. One of our biggest underweights remains utilities.

We are entering Indian Fiscal FY24 (year ending 31 March 2024) with one of the highest aggregate earnings growth for our portfolio. This does include above average numbers with sectors like cement and banks benefiting due to a low base effect. In parallel, we expect margins across portfolio companies to rise as commodity prices settle.

We remain confident with our positioning as we enter the year with a portfolio having higher growth and lower valuation than the broader market.

As at 31 December 2022	FY23	FY24	Earnings Growth FY23	Earnings Growth FY24
ICGF Portfolio	23.1	16.9	23.0%	36.5%
Nifty 50 ¹	22.2	18.9	15.1%	17.8%

Source: Ocean Dial Asset Management, IIFL

Ocean Dial Asset Management
29 March 2023

¹ Nifty 50 is the index which contains the 50 largest listed equities in India.



CORPORATE GOVERNANCE REPORT

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 2022.

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. Refer to page 16 for further detail.

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. Refer to page 17 for Directors' attendance at Board meetings and Committee meetings.

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 performance and contribution of the Chair is reviewed by the other Directors under the leadership of the Chair of the Audit & Risk Committee. Refer to page 17 for further detail.

NOMINATION COMMITTEE

The size of the Board and independence of its members are such that the Board does not consider there is 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.

Each Director stands for annual re-election at the Company's Annual General Meeting. Refer to page 17 for further detail.

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. Refer to page 17 for further detail.

AUDIT & RISK COMMITTEE

All members of the Board are also members of the Audit & Risk Committee. The Chair of the Audit & Risk Committee is Patrick Firth. The Chair of the Board is also a member of the Audit & Risk Committee given her extensive experience and knowledge, in particular given her appointment to the Board of the Company for more than 5 years. The Audit & Risk 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 & Risk Committee, found on page 28.



DIRECTORS

The Directors as at 31 December 2022, all of whom are non-executive, are as follows:

ELISABETH SCOTT (CHAIR)

Elisabeth was appointed to the Board as Chairman on 18 December 2017. She has over 30 years' experience in the asset management industry. In 1992, she moved to Hong Kong, where she remained until 2008, most recently in the role of Managing Director and Country Head of Schroder Investment Management (Hong Kong) Limited and Chairman of the Hong Kong Investment Funds Association. She is Chair of JP Morgan Global Emerging Markets Income Trust plc, Non-Executive Director of Allianz Technology Trust PLC and Chair of the Association of Investment Companies (AIC). She is resident in the UK.

PATRICK FIRTH

Patrick was appointed to the Board in September 2020. He qualified as a Chartered Accountant with KPMG Guernsey in 1991 and is also a member of the Chartered Institute for Securities and Investment. He worked in the fund industry in Guernsey since joining Rothschild Asset Management C.I. Limited in 1992 before moving to become managing director at Butterfield Fund Services (Guernsey) Limited (subsequently Butterfield Fulcrum Group (Guernsey) Limited), a company providing third party fund administration services, where he worked from April 2002 until June 2009. Patrick is a former Chairman of the Guernsey International Business Association and of the Guernsey Investment Fund Association. He is a Non-Executive Director of Riverstone Energy Limited, NextEnergy Solar Fund Limited and CT UK Capital and Income Investment Trust plc. He is resident in the UK.

LYNNE DUQUEMIN

Lynne was appointed to the board in May 2021. She has over 30 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. Most recently she worked for twelve 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 currently a non-executive director and Chief Investment Officer for a Single Family Office and has prior experience as a director of a listed Frontier Equities Investment Company.

NICK TIMBERLAKE

Nick was appointed to the Board in July 2022. He has over 30 years' experience in the asset management industry as a Portfolio Manager, he was with HSBC Global Asset Management between 2005 and 2020, initially as Global Head of Emerging Markets Equities and then Head of Equities. Previously he was a Director of F&C Investment Management and has spent the last 20 years investing in global emerging markets equities. He is a partner in Panorama Property Investments LLP. Nick is a member of the CFA Institute and CFA Society of the UK.



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
	JP Morgan Global Emerging Markets Income Trust plc	London
Patrick Firth	NextEnergy Solar Fund Limited	London
	Riverstone Energy Limited	London
	CT UK Capital and Income Investment Trust plc	
Lynne Duquemin	-	-
Nick Timberlake	-	-

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2022 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 2022, 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 15,408,872 net 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 close down and to liquidate 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 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 the shareholders. The Group's custodian is actively engaging with the Indian regulator to facilitate this. In the meantime, the investment manager has moved INR cash balances held by the Group's custodian from ICGQ to the Company and has committed that all future purchases for the investment portfolio will only be made by the Company, unless it is in shareholders' interests to do otherwise.

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 2022.

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.

The integration of ESG factors in investment decision making will also help to improve the Company's long term risk adjusted returns and thus its long term sustainable success. ESG measurement and risk impact scoring have become an integral part of the investment manager's investment process facilitated by the ongoing development of their bespoke internal ESG scoring model which compares and rates each company within the investment portfolio. An illustration of this scoring model is provided in the ESG report which highlights the focus on the long term direction of travel in reducing the climate impact factors of companies in the portfolio.

The Company's 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

DIRECTORS' REPORT (continued)

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.

It is one of the Board's 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 report on pages 23 to 25 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 11.

The results for the year are set out in the audited statement of comprehensive income on page 42.

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 2022 (2021: £nil).

SUBSTANTIAL INTERESTS

Shareholders who held an interest of 3% or more of the Ordinary Share Capital of the Company at 28 February 2023, being the latest date such data is available, are stated in the table below:

	Number of shares	% holding
Lazard Asset Management	17,287,388	17.9
City of London Investment Management	15,884,389	16.5
Hargreaves Lansdown	9,690,476	10.0
Interactive Investor	8,615,994	8.9
West Yorkshire Pension Fund	4,677,028	4.9
AJ Bell	3,453,059	3.6
JM Finn	2,883,304	3.0

DIRECTORS

The names and a short biography of the current Directors of the Company are set out on page 13. Elisabeth Scott, Patrick Firth and Lynne Duquemin served throughout the year and to date. Nick Timberlake was appointed as Director on 19 July 2022. Peter Niven served as Director until his retirement on 21 September 2022.

DIRECTORS' INTERESTS

At 31 December 2022, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary shares
Elisabeth Scott	50,000
Patrick Firth	25,000
Lynne Duquemin	19,125
Nick Timberlake	20,000

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 next 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 2022 was 1.59% based on an average AUM of £125,913,839 (2021: 1.50% based on an average AUM of £136,856,000).

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.

DIRECTORS' REPORT (continued)

BOARD MEETINGS, COMMITTEE MEETINGS AND DIRECTORS' ATTENDANCE

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

	Board Meetings		Audit & Risk Committee Meetings	
	Regular	Ad hoc	No of meetings	Attended
Elisabeth Scott	4	4	3	3
Patrick Firth	4	4	3	3
Lynne Duquemin	4	4	3	3
Nick Timberlake ¹	2	2	2	2
Peter Niven ²	4	3	3	3

¹ appointed as director of the Company on 19 July 2022

² retired as a director of the Company on 21 September 2022

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 & Risk Committee. The conclusion of the 2022 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 the 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 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 identified a suitable candidate to be appointed to the Board. Following consideration of the candidates presented and the skill set required, Nick Timberlake was selected, and his appointment was approved by shareholders at the Company's Annual General Meeting held on 21 September

2022. The Board ensured relevant induction training was provided upon commencement.

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.

AUDIT & RISK COMMITTEE

All members of the Board are also members of the Audit & Risk Committee. The Chair of the Audit & Risk Committee is Patrick Firth. The Chair of the Board is also a member of the Audit & Risk Committee given her extensive experience and knowledge, in particular given her appointment to the Board of the Company for more than 5 years. The Audit & Risk 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 & Risk Committee.

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

The Company's report on Sustainability and ESG is provided on pages 23 and 25.

EMPLOYEES, HUMAN RIGHTS AND CORPORATE SOCIAL RESPONSIBILITY

The Company has no employees, all of its Directors are non-executive and third party service providers 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

DIRECTORS' REPORT (continued)

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 have 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 15;
- 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 11 and "Long-term sustainable success" on pages 15 and 16;
- 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 pages 19 and 20;
- details on how the Board engages with key shareholders and why they are important can be found under "Shareholder communication" on pages 21 and 22;
- 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 11;
- information on sustainability and ESG adopted by the Company can be found in the Report on pages 23 to 25; 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 pages 15 and 16.

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 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,

DIRECTORS' REPORT (continued)

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 also incorporates ESG factors into its stock selections process as explained in the ESG report. 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
- **Environmental and Social ("E&S") impact risk:** The potential loss or harm directly or indirectly resulting

from environmental and social factors that impact the Company, its investors and its service providers, and the consequential impact on the environment and society. E&S impact risk is a transverse risk that impacts our other risks: investment performance risk, currency and emerging market risk, operational non-financial risk, legal and regulatory risk and reputation risk. Our investment manager has developed a qualitative scoring model which measures climate and other environmental impacts and the reporting thereof by the Company's investment portfolio companies. Further details are included in the Company's report on Sustainability and ESG on pages 23 to 25.

- **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 & Risk 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 Guernsey, Mauritian and Indian laws and regulations or if it fails to maintain accurate accounting records. The Investment Manager and Administrator provides 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

DIRECTORS' REPORT (continued)

set out in note 10 to the financial statements. These risks and their mitigation controls are reviewed at each quarterly Board meeting.

- **Redemption Facility and associated risk:** The second Redemption facility where shareholders will be able to request the redemption of some or all of the shares will be 31 December 2023. There is therefore a possibility that redemptions requests may impair the future viability of the Company. This creates material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. However, based upon the investment performance of the Company to date and the increase in the proportion of retail and institutional shareholders seeking long term value growth on the share register since the last Redemption Facility on 31 December 2021, the Board believes shareholder redemptions at the forthcoming Redemption Facility on 31 December 2023 are likely to be at such a level not to impact the going concern of the Company.
- **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 Russia/Ukraine conflict and other 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) which, subject to regulatory approval, will be owned by AssetCo PLC, a UK asset Management group founded and chaired by Martin Gilbert.

- 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 Elisabeth Scott acting as the Chair. The last meeting of the Management Engagement Committee was held on 13 December 2022 and it meets at least 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. The management fee is the lower of 1.25% per annum of the Company's Total Assets 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

DIRECTORS' REPORT (continued)

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 ("AIFMD")

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.

FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

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. 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

DIRECTORS' REPORT (continued)

Company intends to request renewal of this power from shareholders on an annual basis. As of 31 December 2022, the Company had bought back a total of 577,648 shares in the market.

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 (74.1% of the portfolio can be liquidated within 5 days); the performance of the investment portfolio (the net asset value of the Company increased 3.9% 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 50 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 working 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 a net 15,408,872 shares (13.9% of the then issued share capital) were redeemed under the redemption facility at a total cost of £19.5m in accordance with the announced timetable.

The next date on which shareholders will be able to request the redemption of some or all of the shares will be 31 December 2023. There is therefore a possibility that redemptions requests may impair the future viability of the Company. This creates material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Based upon the investment performance of the Company to date and the increase in the proportion of retail and institutional shareholders seeking long term value growth on the share register since the last Redemption Facility on 31 December 2021, the Board believes shareholder redemptions at the forthcoming Redemption Facility on 31 December 2023 are likely to be at such a level not to impact the going concern of the Company.

The Directors are satisfied that the Company has sufficient liquid resources to continue in business for the next twelve

months, 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 on 31 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. Additionally, based upon the increase in the proportion of retail and institutional shareholders seeking long term value growth on the share register since the last Redemption Facility on 31 December 2021, the Board believes shareholder redemptions at the forthcoming Redemption Facility on 31 December 2023 are likely to be at such a level not to impact the long term viability of the Company.

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, shareholder register analysis and investment performance to date, both actual and against the BSE Mid Cap Total Return Index (the "Index") and the Company's peers.

Approved by the Board of Directors and signed on behalf of the Board on 29 March 2023.



Lynne Duquemin

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”).

A successful future for the Company and our investors depends on the sustainability of the environment, communities and economies in which the Company, its service providers and portfolio investment companies operate, particularly in India. The Board and its investment manager seek to understand the impact that environmental and social factors have on the business environment, clients, portfolios and operations. With this understanding, the Board is better positioned to make informed strategic decisions. Consequently, 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 its 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 scoring model. Below is an illustration of this scoring model which looks at two companies in the cement sector, one of which is in the portfolio and one which is not:

SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) MATTERS (continued)

Scoring Model illustration

	Cement Company 1			Cement Company 2		
	FY19	FY20	FY21	FY19	FY20	FY21
Environment						
Greenhouse Gas Emissions (000 tn)						
Change		(150)	(217)		(89)	(179)
Scope 1 emission				2,065	2,031	1,884
Scope 2 emission				110	74	45
Scope 3 emission				92	73	69
CO2 emission (kg/t of cementitious material)						701
Other relevant toxic emissions						
Dust emission (g/t of cement produced)/mg/nm ³						13.26
Nox emission (g/t of cement produced)/mg/nm ³						360.59
Sox emission (g/t of cement produced)/mg/nm ³						13.57
Energy						
Energy consumption (000 MWH)			Excellence Energy Efficient Unit Award 2020 for Excellence in Energy Management			237
Energy Intensity (kwh/tn)					76.05	75.85
% of renewable energy			35%			27%
Water						
Water consumption (KL)			CII National Award for Excellence in Water Management 2020 for outstanding water management and water conservation.	444	328	311
Water consumption (KL/tn)				0.14	0.11	0.10
Waste water recycled (KL) % of consumption						16%
Hazardous waste						
Waste oil (lt)			Water Optimization Award 2020 for Best ZERO Liquid Discharge Plant	24,104	37,279	27,740
Targets	None	None	None	None	None	Noone
Scoring						
Factor 1			0			2
Factor 2			0			3
Factor 3			0			2
Aggregate			0			7
Sector weight			43%			43%
Weighted score			0.0			3.0



SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) MATTERS (continued)

Social factors considered in the ESG assessment include:

- 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 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 ICGF 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 the ICGF Investment team for guidance on aspects of best practice. In turn the team looks 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;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 2022, 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:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the annual report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy..

Signed on behalf of the Board by:



Lynne Duquemin

Patrick Firth

29 March 2023

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 2022 £	To 31 Dec 2021 £
Elisabeth Scott (Chair)	35,000	35,000
Patrick Firth	28,000	28,000
Peter Niven	²18,000	25,000
Lynne Duquemin	25,000	14,583
Nick Timberlake	¹11,277	-

1 Nick Timberlake's annual Director fee is £25,000

2 Peter Niven retired from the board 21 September 2022

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 & RISK COMMITTEE REPORT

INTRODUCTION

The Audit & Risk Committee (the “Committee”) report for 2022 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 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 2022 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 2022.

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 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 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 8 years, covering the years ending 31 December 2015 to 31 December 2022.

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 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 & RISK COMMITTEE REPORT (continued)

In accordance with the non-audit services policy, Deloitte LLP will not be appointed to provide additional services including the provision of accounting advice. The exception is where Deloitte LLP is best placed to provide a service as a result of its audit, including the interim review which is permissible under the FRC independence rules.

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 for a period of twelve months and its longer term viability for a period of three years, particularly in the light of the previous Redemption Facility in December 2021 as well as the upcoming second Redemption Facility at 31 December 2023. 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.

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:

	2022 £	2021 £
Annual Audit	42,000	35,000
Interim Review	15,000	12,500

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 2022.

AUDIT & RISK 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 & Risk Committee
Chairman**

29 March 2023



PRINCIPAL INVESTMENTS OF THE GROUP

AS AT 31 DECEMBER 2022

HOLDING	Market cap size ¹	Sector	Value £000	% of company NAV
Federal Bank	M	Financials	10,050	7.2%
IDFC Bank	M	Financials	8,303	5.9%
Indusind Bank	L	Financials	7,321	5.2%
City Union Bank	S	Financials	5,903	4.2%
Ramkrishna Forgings	S	Materials	5,799	4.1%
Emami	M	Consumer Staples	5,144	3.7%
Persistent Systems	M	Information Technology	4,981	3.6%
PI Industries	M	Materials	4,922	3.5%
JK Lakshmi Cement	S	Materials	4,588	3.3%
Skipper	S	Industrials	4,562	3.3%
Balkrishna Industries	M	Consumer Discretionary	4,466	3.2%
Neuland Laboratories	S	Health Care	4,366	3.1%
Kajaria Ceramics	M	Industrials	4,044	2.9%
Affle India	S	Communication Services	4,016	2.9%
Jyothy Laboratories	S	Consumer Staples	4,005	2.9%
Multi Commodity Exchange	S	Financials	3,868	2.8%
CCL Products India	S	Consumer Staples	3,864	2.8%
Bajaj Electricals	S	Consumer Discretionary	3,808	2.7%
Sagar Cements	S	Materials	3,767	2.7%
Tech Mahindra	L	Information Technology	3,462	2.5%
Total top 20 portfolio investments			101,239	72.5%

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

¹ Refer to page 33 for market capitalisation size definitions.

PORTFOLIO STATEMENT

AS AT 31 DECEMBER 2022

HOLDING	Market cap size ¹	Nominal	Value £000	% of company NAV
LISTED SECURITIES				
Communication Services				
Affle India Ltd	S	370,000	4,016	2.9%
			4,016	2.9%
Consumer Discretionary				
Bajaj Electricals	S	312,734	3,808	2.7%
Balkrishna Industries	M	209,000	4,466	3.2%
Dixon Technologies	M	78,000	3,053	2.2%
Jubilant Foodworks	M	287,500	1,473	1.1%
Sona BLW Precision Forgings	M	690,000	2,902	2.1%
Uniparts India	S	505,267	2,915	2.1%
Vedant Fashions	M	116,638	1,565	1.1%
Welspun India	S	4,099,080	3,169	2.3%
			23,351	16.8%
Consumer Staples				
CCL Products India	S	727,883	3,864	2.8%
Emami	M	1,207,126	5,144	3.7%
Jyothy Laboratories	S	1,950,272	4,005	2.9%
			13,013	9.4%
Financials				
Cholamandalam Investment and Finance Company	M	175,000	1,268	0.9%
City Union Bank	S	3,264,000	5,903	4.2%
IDFC Bank	M	14,085,000	8,303	5.9%
Indusind Bank	L	598,500	7,321	5.2%
Multi Commodity Exchange	S	248,227	3,868	2.8%
Federal Bank	M	7,209,380	10,050	7.2%
			36,713	26.2%
Healthcare				
Aarti Pharmedlabs ²	Unlisted	102,108	389	0.3%
Neuland Laboratories	s	261,227	4,366	3.1%
			4,755	3.4%

¹ Refer to page 33 for market capitalisation size definitions.

² The unlisted holding in Aarti Pharmedlabs' shares has arisen as a result of a demerger from Aarti Industries in October 2022. The shares subsequently listed on the Bombay Stock Exchange on 30 January 2023.

PORTFOLIO STATEMENT (continued)

HOLDING	Market cap size ¹	Nominal	Value £000	% of company NAV
Industrials				
Ashok Leyland	M	1,800,000	2,588	1.9%
Finolex Cables	S	574,585	3,151	2.3%
Kajaria Ceramics	M	347,698	4,044	2.9%
PSP Projects	S	459,000	3,223	2.3%
Skipper	S	3,600,000	4,562	3.3%
			17,568	12.7%
IT				
Coforge	M	30,000	1,168	0.8%
Persistent Systems	M	128,355	4,981	3.6%
Tech Mahindra	L	339,719	3,462	2.5%
			9,611	6.9%
Materials				
Aarti Industries	M	408,435	2,498	1.5%
Essel Propack	S	1,141,000	1,952	1.4%
JK Lakshmi Cement	S	560,515	4,588	3.3%
PI Industries	M	143,556	4,922	3.5%
Ramkrishna Forgings	S	2,200,000	5,799	4.1%
Sagar Cements	S	1,611,000	3,767	2.7%
The Ramco Cements	S	238,500	1,674	1.2%
			25,200	17.7%
Total equity investments (including those held by ICG Q Limited)			134,227	96.0%
Cash less other net current liabilities			5,555	4.0%
Total Net Assets (before deferred taxation for Indian CGT)			139,782	100.0%
Deferred tax provision for Indian CGT			(4,603)	
Total Net Assets (after deferred taxation for Indian CGT)			135,179	
Notes:				
L: Large cap – companies with a market capitalisation above US\$8bn				7.7%
M: Mid cap – companies with a market capitalisation between US\$2bn and US\$8bn				41.6%
S: Small cap – companies with a market capitalisation below US\$2bn				46.4%
Unlisted				0.3%
				96.0%

Equity 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 2022 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.

3. Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements, which indicates that the Extraordinary General Meeting held on 12 June 2020 introduced 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 next date at which shareholders will be able to request the redemption of some or all of the shares will be 31 December 2023. There is therefore a possibility that redemptions requests may impair the future viability of the Company.

These events or conditions along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.



INDEPENDENT AUDITOR'S REPORT (continued)

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

- assessing the redemption facility mechanism and the ability for shareholders to request redemptions at 31 December 2023 and the potential impact of this on the ongoing viability of the Company by reviewing latest shareholder analysis prepared by Ocean Dial as at 31 January 2023 which details shareholder intentions compared to actual redemptions levels for the first redemption event on 31 December 2021
- evaluating the liquidity analysis prepared by Ocean Dial and the investments held at year end and performing a review of trading volumes for all investments held by the Company and ICG Q Limited ("ICG Q") and for any investments that were not traded daily and performed a free float analysis; and
- challenging management's going concern assessment and assessed the relevant disclosures in the financial statements.
- 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; and
- the directors' identification in the financial statements of the material uncertainty related to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

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




4. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were;

- Going concern (see material uncertainty relating to going concern section)
- Valuation of the Company's investment in its subsidiary, and the valuation and ownership of the direct investments

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 £1,351,700 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

There have been no significant changes in our approach.

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. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter 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 fair value of investments that ICGF holds in ICG Q is determined by its NAV at year end. The majority of ICG Q's NAV comprises its investments and as a result there is risk that if these are materially misstated, the investment balance recorded in ICGF's financial statements will be misstated.

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 31 and the 31 December 2022 Portfolio statement has been disclosed on pages 32 and 33.

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 2022 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 2022 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 of investment transactions by agreeing the purchase and sale of a sample of the Company's equity shares to independent confirmations; and
- Reconciled the net asset value in ICG Q to the investment value recorded in ICGQ's trial balance.

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)

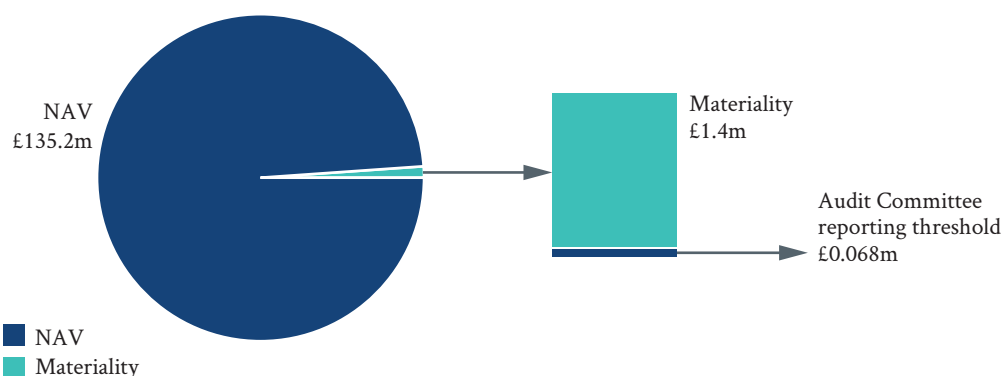
6. Our application of materiality

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	£1,351,700 (2021: £1,510,300)
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 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Company's overall control environment;
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
- potential impact as result of the redemption facility that is due within the next 12 months.

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £67,500 (2021: £75,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk 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 also through its wholly owned subsidiary ICG Q Limited.

We audited the Company which included testing the valuation of the Company's investment in ICG Q Limited which involved testing the net assets value of ICG Q Limited.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

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. We obtained the independently audited ISAE 3402 report on the service provider's controls, which included financial reporting controls as well as GITCs. We also obtained a bridging letter from the date of the ISAE 3402 report to year end on the controls in place. The control environment was deemed to be appropriate for the size and activities of the Company.

7.3. Our consideration of climate-related risks

The Company, through the investment manager has considered climate related risks from their operations. The Company's climate related risks arise from companies they invest in. The investment manager has developed a scoring model in which companies they invest in are tracked for their climate risk processes and disclosures. This process is consistent with our understanding of the Company's operations.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

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 & Risk 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 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 areas:

- 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 as a key audit matter related to the potential risk of fraud. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

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 & Risk 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 & Risk 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 22;
- 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 22;
- the directors' statement on fair, balanced and understandable set out on page 26;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 19;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 19; and
- the section describing the work of the Audit Committee set out on page 17.



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.

Stuart Crowley FCA

For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey

29 March 2023

AUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Revenue £000	Capital £000	2022 Total £000	2021 Total £000
Income					
Dividend income		113	-	113	94
Foreign exchange gain		65	-	65	2
Net gain on financial assets at fair value through profit or loss		-	4,374	4,374	42,315
Total income		178	4,374	4,552	42,411
Expenses					
Operating expenses	3	(534)	-	(534)	(586)
Transaction costs		(22)	-	(22)	(4)
Total expenses		(556)	-	(556)	(590)
Profit for the year before taxation		(378)	4,374	3,996	41,821
Taxation	6	(24)	(199)	(223)	(217)
Total comprehensive income for the year		(402)	4,175	3,773	41,604
Earnings per Ordinary Share (pence)	4			3.88	36.99 ¹
Diluted earnings per Ordinary Share (pence)	4			3.88	36.99 ¹

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.

¹ prior year restated

The notes on pages 46 to 56 form part of these financial statements.

AUDITED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2021 £000	2020 £000
Non-current assets			
Financial asset designated at fair value through profit or loss	5	134,986	148,786
Current assets			
Cash and cash equivalents		646	2,510
Other receivables and prepayments		158	180
		804	2,690
Current liability			
Payables and accruals		(214)	(247)
Net current assets		590	2,443
Non-current liability			
Deferred Taxation	6	(397)	(198)
Net assets		135,179	151,031
Equity			
Share capital	8	965	1,121
Reserves		134,214	149,910
Total equity		135,179	151,031
Number of Ordinary Shares in issue	8	96,515,653	112,089,729
Net Asset Value per Ordinary Share (pence) - Undiluted and diluted		140.06	134.74

The audited financial statements on pages 42 to 56 were approved by the Board of Directors on 29 March 2023 and signed on its behalf by:-



Lynne Duquemin



Patrick Firth

The notes on pages 46 to 56 form part of these financial statements.

AUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £000	Capital reserve £000	Revenue reserve £000	Other distributable reserve £000	Total £000
Balance as at 1 January 2022		1,121	67,408	(10,524)	93,026	151,031
Gain on investments	5	-	4,175	-	-	4,175
Share repurchase	8	(156)	-	-	(19,469)	(19,625)
Total revenue loss for the year		-	-	-	(402)	(402)
Balance as at 31 December 2022		965	71,583	(10,524)	73,155	135,179

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £000	Capital reserve £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
Share repurchase ¹	8	(4)	-	-	(484)	(488)
Total revenue loss for the year		-	-	-	(711)	(711)
Balance as at 31 December 2021		1,121	67,408	(10,524)	93,026	151,031

¹ Treasury reserve and Other Distributable reserve were separately disclosed in the 2021 financial statements with the Treasury reserve amount of (£76,000) and Other Distributable reserve amount of £ 93,102,000. These have been combined for presentation purposes to show a total amount of £ 93,026,000. The transactions for the transfer of shares to treasury and the redemption of shares were also combined for presentation purposes.

There is no change in the total equity as a result of the above presentation changes.

The notes on pages 46 to 56 form part of these financial statements.

AUDITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Operating profit	3,996	41,623
Adjustment for:		
Net gains on financial asset at fair value through profit or loss	(4,374)	(42,315)
Foreign exchange gain	(65)	(2)
Dividend income	(113)	(94)
Decrease in other receivables and prepayments	22	91
(Decrease)/increase in payables and accruals	(33)	265
Cash used in operations	(567)	(432)
Withholding tax deducted	(24)	(19)
Net cash flows from investing activities	(591)	(451)
Cash flows from investing activities		
Dividend income	113	94
Acquisition of investments	(5,441)	(1,029)
Disposal of investments	23,615	4,253
Net cash flows from investing activities	18,287	3,318
Cash flows from financing activities		
Redemption of shares	(19,625)	(488)
Net cash used in financing activities	(19,625)	(488)
Net (decrease)/increase in cash and cash equivalents during the year	(1,929)	2,379
Cash and cash equivalents at the start of the year	2,510	129
Foreign exchange gain	65	2
Cash and cash equivalents at the end of the year	646	2,510

The notes on pages 46 to 56 form part of these financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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 (74.1% of the portfolio can be liquidated within 5 days); the performance of the investment portfolio (the net asset value of the Company increased 3.9% 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 50 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 working 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 ordinary shares which were subsequently redeemed under the redemption facility 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. There is therefore a possibility that redemptions requests may impair the future viability of the Company. This creates material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Based upon the investment performance of the Company to date and the increase in the proportion of retail and institutional shareholders seeking long term value growth on the share register since the last Redemption Facility on 31 December 2021, the Board believes shareholder redemptions at the forthcoming Redemption Facility on 31 December 2023 are likely to be at such a level not to impact the going concern of the Company.

The Directors are satisfied that the Company has sufficient liquid resources to continue in business for the next twelve months, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Dividend income

Dividend income is recognised when the right to receive payment is established.

Expenses

Expenses are accounted for on an accrual 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.

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.

Financial instruments

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.

Financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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.

Treasury shares are equity instruments which are created when the Company reacquires its own ordinary shares. Treasury shares are recognised at the consideration paid, including any attributable transaction costs net of income taxes. Where such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in the shareholders' equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own ordinary shares.

Changes in accounting policies

New and revised standards

The following standards and interpretations (some of which are amendments to existing standards) are effective for the first time for the financial period beginning 1 January 2022:

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022)

Other changes to accounting standards in the current year had no material impact.

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2022:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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.

Prior period errors

During the year ended 31 December 2021, the Company redeemed 412,444 shares from shareholders. When calculating the Earnings per Ordinary Shares and Diluted earnings per Ordinary Shares, the closing number of shares in issue of 112,089,729 was used as opposed to the correct weighted average number of shares during the year of 112,476,020 in an error resulting in reported Earnings per Ordinary Shares and Diluted earnings per Ordinary Shares of 37.12 pence/share. Management corrected the error in the current period resulting in the restated Earnings per Ordinary Shares and Diluted earnings per Ordinary Shares of 36.99 pence/share. Please refer to pages 43 and 50 in the financial statements.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Directors 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.

Critical accounting judgements

IFRS 10 defines an investment entity and requires a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries, but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

An investment entity is defined as an entity that:

- Obtains funds from one or more investors for the purpose of providing them with professional investment management services.
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates performance of substantially all of its investments on a fair value basis.

The board has concluded that the Company is an investment entity as it satisfies more than one of the typical characteristics of an investment entity as noted above.

Key sources of estimation uncertainty

The Company invests in listed shares to which no estimation is required to determine the closing values. The underlying investments in ICG Q are all listed securities (except for Aarti Pharmedicals' as disclosed in note 9) thus no estimation is required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING EXPENSES

	2022 £000	2021 £000
Administration and secretarial fees	77	55
Audit fees ¹	66	27
Broker fee	31	31
D&O insurance	10	12
Directors' fees and expenses	120	111
General expenses	63	101
Marketing expenses	94	53
Other professional fees	36	171
Registrar fee	12	5
Tax Exempt fee	-	1
Regulatory fees	25	19
	534	586

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 £3,773,000 (2021 – profit of £41,604,000) divided by the weighted average number of Ordinary Shares of 97,279,178 (2021 – 112,476,020²).

5. FINANCIAL ASSETS 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 Exchanges, 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:

	2022 Total £000	2021 Total £000
Fair value at beginning of year	148,786	109,695
Disposal of investments	(23,615)	(4,253)
Acquisition of investments	5,441	1,029
Realised gains on disposal of investments	15,787	2,664
Unrealised (losses)/gains on revaluation	(11,413)	39,651
Fair value at end of year	134,986	148,786

¹ Audit fees

The audit fee as agreed upon in the letter of engagement for the 2021 financial year was £ 50,000.

The audit fee expense as disclosed in the annual report of 2021 was lower as result of an over accrual from the prior year that was adjusted accordingly in the 2021 financial year.

² During the year ended 31 December 2021, the Company redeemed 412,444 shares from shareholders. When calculating the Earnings per Ordinary Shares and Diluted earnings per Ordinary Shares, the closing number of shares in issue of 112,089,729 was used as opposed to the correct weighted average number of shares during the year of 112,476,020 in an error resulting in reported Earnings per Ordinary Shares and Diluted earnings per Ordinary Shares of 37.12 pence/share. Management corrected the error in the current period resulting in the restated Earnings per Ordinary Shares and Diluted earnings per Ordinary Shares of 36.99 pence/share.

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 £4,374,000 (2021: £42,315,000) 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 £2,554,000 (2021: gains of £40,229,000) and gains of £1,820,000 (2021: gains of £2,086,000) 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.

	2022 Total £000	2021 Total £000
Dividend income	950	1,095
Other income	-	19
Unrealised (loss)/gain on financial assets at fair value through profit and loss	(14,289)	38,681
Foreign exchange (loss)/gain	(442)	12
Realised gain on disposal of investments	17,935	6,724
Investment management fees	(1,370)	(1,507)
Other operating expenses	(79)	(52)
Withholding tax on dividend income	(199)	(226)
Deferred taxation for Indian Capital Gains Tax	201	(4,388)
Other Taxes	(55)	(13)
Transaction costs	(98)	(97)
Net profit of ICG Q Limited	2,554	40,248

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 in 2021. For the year ended 31 December 2022, the Company had a tax liability of £Nil (2021: £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 £397,000 at 31 December 2022 (2021: £198,000) and for its subsidiary was £4,187,000 at 31 December 2022 (2021: £4,388,000).

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 2022 was £24,000 (2021: £19,000) and for its subsidiary was £199,000 (2021: £226,000).

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 are from a single segment under the standard. From a geographical perspective, the Company's activities are focused in a single area – 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

	Number of shares	Share capital £000
Ordinary Shares of £0.01 each		
At 31 December 2021	112,089,729	1,121
Shares transferred to treasury	(15,574,076)	(156)
At 31 December 2022	96,515,653	965

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.

Treasury shares

There was a total buy back of 15,574,076 ordinary shares during the period ended 31 December 2022. These shares were transferred from Issued Share Capital Account to Treasury Shares Account and were purchased at a discount to the Net Asset Value per share, as per below:

Date	Number of shares	Par value £	Buy back price £	Value of buy back £
17 January 2022 (redemption facility only) ¹	15,408,872	0.01	1.2626	19,455,449
21 February 2022 ²	30,201	0.01	1.0800	32,617
24 February 2022 ²	50,000	0.01	1.0550	52,750
19 May 2022 ²	10,003	0.01	1.0200	10,203
27 May 2022 ²	75,000	0.01	0.9914	74,355
Sub-total (buy-back through the market) ²	165,204			169,925
Total	15,574,076			19,625,374

¹ Redemption facility resulted in 15,408,872 net shares bought back (not through the market) and transferred from Issued Share Capital to Treasury Shares Account.

² 165,204 Shares bought back in the market and transferred to Treasury Shares Account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The analysis as at 31 December 2022 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	14,038	-	-	14,038
Unlisted securities	-	120,948	-	120,948
Total	14,038	120,948	-	134,986

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 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 (apart from Aarti Pharmedicals – see Portfolio Statement on page 33 for further detail) of ICG Q Limited are categorised as level 1 at 31 December 2022 and 2021. 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 2022. There were no changes in valuation techniques during the year ended 31 December 2022.

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 of listed Indian companies, predominantly mid cap and small cap. The specific risks arising from exposure to these instruments and the Investment Manager's policies for managing these risks, which have been applied throughout the period, are summarised below:

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. The Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to exercise such powers. In the year ended 31 December 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Environmental and social (“E&S”) impact risk

E&S impact risk is a transverse risk that impacts most of our other risks: market risk, foreign currency risk, credit risk, liquidity risk, operational non-financial risk, legal and regulatory risk and reputation risk. Our Investment Manager has developed a qualitative scoring model which measures climate and other environmental impacts and the reporting thereof by the Company’s investment portfolio companies.

The Investment Manager considers all factors that may have a financially material impact on returns. Climate change is such a key factor. The related physical and transition risks are vast and are becoming increasingly financially material for many investments. Not only in the obvious high-emitting sectors, such as energy, utilities and transportation, but also along the supply chain, providers of finance and in those reliant on agricultural outputs and water. It is important that the financial implications of material climate-change risks are assessed across all asset classes, including real assets, and make portfolios more resilient to climate risk. Comparable climate-related data is necessary to enable effective decision making, and is something the Investment Manager actively sources and incorporates into its process and scoring model. Regular engagement with all investee companies allows the Investment Manager to better understand their exposure and management of climate change risks and influence corporate behaviour positively in relation to climate risk management.

Market Risk

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

The Group’s investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuit 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 2022, 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 (2022: 96.0%; 2021: 93.7%) to any movement in the BSE Mid Cap Total Return Index.

At 31 December 2022, with all other variables held constant, this approximation would produce a movement in the net assets of the Group’s investment portfolio of £13,423,000 (2021: £14,584,000) for a 10% (2021: 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.

or weakened by 10% (2021: 10%) against Sterling with all other variables held constant, pre-tax profit for the period would have been £13,913,000 (2021: £14,281,000) 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 affected by the custodian on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are affected 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 2022 was £4,897,000 (2021: £1,688,130).

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments and risk profile (continued)

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.

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 2022, 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 £1,370,000 in management fees during the year ended 31 December 2022 (2021: £1,507,000) of which £125,000 was outstanding at 31 December 2022 (2021: £144,000).

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 £77,000 for administration and secretarial services during the year ended 31 December 2022 (2021: £55,000) of which £19,000 was outstanding at 31 December 2022 (2021: £30,000).

12. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 31 December 2022 and at the date of approving these financial statements.



NOTES TO THE FINANCIAL STATEMENTS (continued)

13. SUBSEQUENT EVENTS

There have been no material events since the end of the reporting period which would require disclosure or adjustment to the financial statements for the year ended 31 December 2022.

On 6 March 2023 AssetCo PLC, founded and chaired by Martin Gilbert, acquired the Company's investment manager, Ocean Dial Asset Management Limited, subject to regulatory approvals from the FCA and regulators in India. The successful investment team in India, led by Gaurav Narain, continues unchanged.

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