

India Capital

GROWTH FUND

Interim Report and Unaudited Condensed Financial Statements

2023

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

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MANAGEMENT AND ADMINISTRATION

DIRECTORS

Elisabeth Scott (Chair)
Patrick Firth
Lynne Duquemin
Nick Timberlake

REGISTERED OFFICE

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St. Peter Port, Guernsey GY1 2HL

INVESTMENT MANAGER

Ocean Dial Asset Management Limited
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London WC2N 6DF

ADMINISTRATOR AND SECRETARY

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CUSTODIAN

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INDEPENDENT AUDITOR

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CHAIR'S STATEMENT

INTERIM REPORT

Broad based accelerating growth in India has led to strong earnings growth for many Indian companies, large and small. Equity markets in India have reflected this positive news, with an increase of 10.2% in the BSE Midcap Total Return Index (the Benchmark) over the first six months of 2023.

There have been a number of positive economic data points during the period. Inflation is under control, despite some signs of rising food prices; there are signs that the consumer sector is picking up and India is continuing to benefit from the diversification of supply chains away from China. As a consequence of this positive news, there has been a revival of interest in Indian equities from international investors which, added to inflows from the domestic market, has contributed to the rise in the market.

PERFORMANCE

The Net Asset Value (NAV) of the shares in your Company rose by 7.6%, underperforming the benchmark index, which increased by 10.2%. As the Investment Manager's report explains in detail, the portfolio's underweight position in non-bank financials was a drag on performance, while a number of individual names, such as Ramkrishna Forgings, Neuland Laboratories and Finolex Cables, were strong performers and are long term holdings for the Company. The Company's share price increased by 11.6% over the period. Additionally the NAV continued to increase by almost 10% in the last two months to 31 August 2023 to 165.38 pence.

DISCOUNT AND REDEMPTION FACILITY

The discount of the share price to NAV narrowed from 7.9% at the 31 December 2022 to 4.4% at 30 June 2023. The Board monitors the discount closely and has the necessary permissions to repurchase stock if the Board decides it is in the best interests of the Company and its shareholders.

Shareholders should be aware that the redemption facility will take place once again on 31 December 2023. Holders of India Capital Growth Fund shares as at 30 September 2023 will have the ability to request the redemption of part or all of their shareholding at an exit discount of a maximum of 3% to NAV as at that redemption point. The Company will publish a further announcement on 4 December 2023 reminding shareholders of their right to request redemptions, together with the exit discount applicable.

THE INVESTMENT MANAGER

In the Annual Report, I informed shareholders that AssetCo PLC, had acquired the Company's Investment Manager, Ocean Dial Asset Management Limited, subject to regulatory approvals. I am pleased to tell you that the Financial Conduct Authority (FCA) approved the acquisition in late July, Indian regulatory clearance has been confirmed and the process of transferring Ocean Dial's business to AssetCo is well advanced.

The Board is working closely with the team at AssetCo to ensure that the handover works smoothly. We have found the AssetCo team to be professional and engaged and they share the Board's enthusiasm for the outlook for India Capital Growth and the Indian equity markets.

INVESTOR RELATIONS

The Board wants to ensure that all shareholders and prospective shareholders have access to the information that they need about the Company. Over the first half of 2023, the Company has hosted a series of online events, which included not only Ocean Dial's own webinars but also a Citywire Big Broadcast, titled "Why India is stacked with growth". I encourage shareholders who have not yet taken advantage of these webinars to sign up for updates on the India Capital Growth website www.indiacapitalgrowth.com.

As interest in India has increased, so has interest from the press and the Company has benefited from extensive coverage across major trade publications and the national press. Efforts to promote the Company via the press and in investor seminars sponsored by wealth managers and others will continue during the second half of the year. The Board believes that these are effective methods to create interest in the Company from prospective shareholders.

FRED CARR

I am sorry to inform shareholders that Fred Carr, who chaired India Capital Growth between 2009 and 2017, died in June this year. He was responsible for putting in place many of the elements of the Company's success and his guidance and kindness were greatly appreciated by Ocean Dial staff and Directors.

LOOKING FORWARD

As the war in Ukraine grinds on, there seems to be little prospect of a reduction in energy prices and the deleterious effects that this is having on economies across the world. It does seem, however, that India is better placed than many countries to weather this difficult environment. Despite the substantial outflows of foreign funds from the Indian equity market, strong domestic inflows are replacing at least part of those withdrawals.

Corporate profits are holding up well, despite fears of a slowdown, although some companies will continue to struggle as a result of commodity price rises or fears of recession in a number of major economies.

Thank you for your support. The Board is confident that the Investment Manager's strategy and positioning of the portfolio will stand us in good stead as markets improve.



Elisabeth Scott | Chair

20 September 2023



INVESTMENT MANAGER'S REPORT

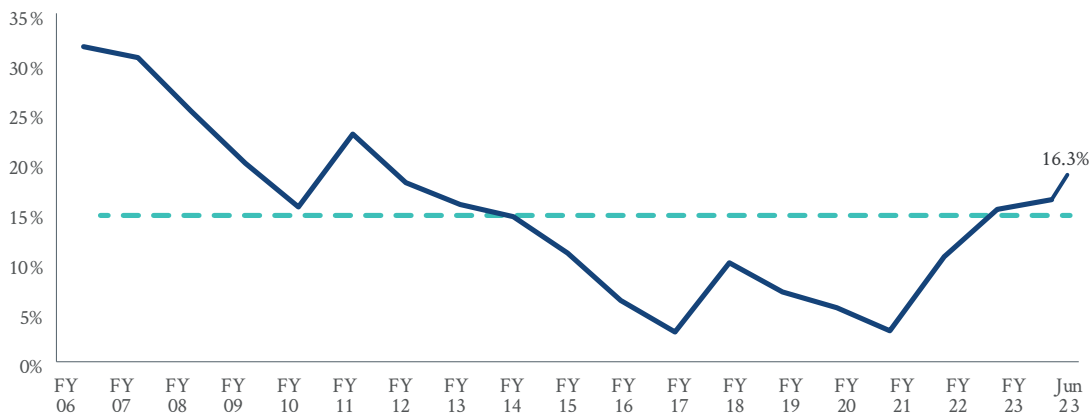
THE INDIAN ECONOMY

Over the past year, the focus of the Government has been on accelerating growth in the Indian economy. The result of this was evident in the first half of 2023, with many data points reflecting improved momentum in the economy. It is important to highlight that while the initial growth was driven by Government led investments in infrastructure, it has now become more broad based and is also visible in the private sector spending. Both positive corporate earnings and uplift in business confidence are reflective of this.

We have increasing comfort that this is not a short term trend but appears more sustainable. Some factors which give us this confidence are highlighted below:

- Credit growth is trending at a 7-year high. This is not being driven solely by the retail sector, as corporate credit and credit to small and medium enterprises has picked up to reach double digit figures.

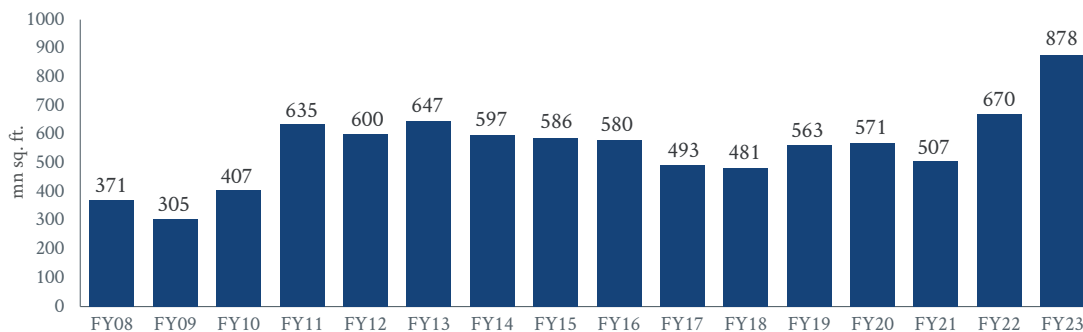
Credit growth shows sustained improvement



Source: RBI, Ocean Dial

- The order books of Capital Goods and Infrastructure companies have reached new highs. These are not being driven by large orders from the Metal and Power sector as earlier, but more by smaller sized orders across sectors. Most companies that we speak to in this segment highlight that they see this trend sustaining for at least the next three to four years.
- The Real Estate sector has also registered all time high sales. The sector has come out of a 7-year slump, a period when prices were flat. Inventories have corrected and affordability has improved. Thus we are seeing the beginning of a bullish real estate cycle.

Residential sales revive after prolonged weakness

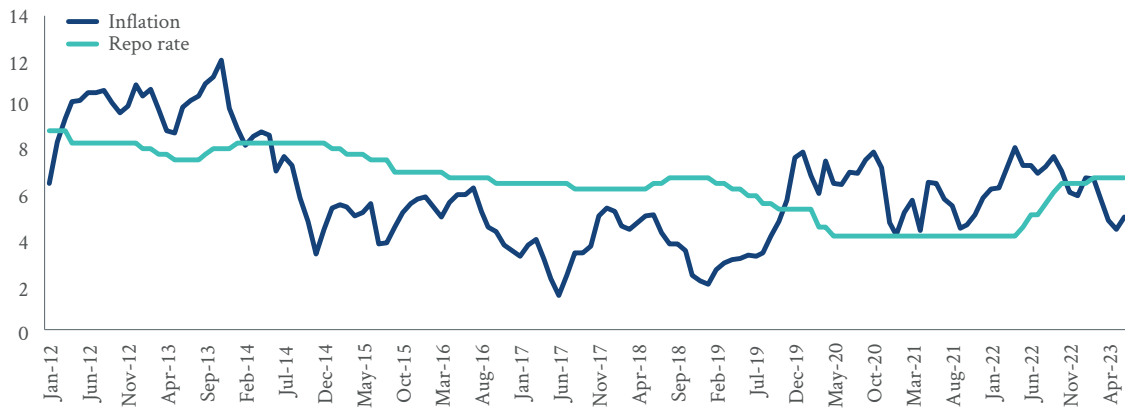


Source: Kotak Institutional Equities, Ocean Dial

Furthermore, inflation is under control and well within the Reserve Bank of India's (RBI) target range of 2-6%. The RBI has paused rate hikes since the March 2023 monetary policy meeting and we believe it is a matter of time before rates start trending downwards. This peaking of rates is helping the industry plan better and is accelerating decision making.

The moderation in inflation should also help improve consumer demand. The consumer sector has been the weak link in the domestic growth story, something we have highlighted in the past. Incomes in rural India were hit the hardest due to covid followed by inflation. Hence, while premium products and urban India continued to see improving demand, overall consumption has remained weak. There are initial signs of this trend reversing with many companies informing us of modest growth returning to rural India. Importantly, the two-wheeler sector, which is a bellwether for rural demand, has seen growth rates turn positive.

Inflation within RBI comfort zone



Source: Bloomberg, Ocean Dial

What continues to pull down growth is exports, which declined by 13% in the first half of the year. This seems to have been primarily driven by slowdown in developed markets, inventory correction and currency depreciation in select markets. There is still no visible sign of this trend reversing. Even Indian IT services exports, which until last year were benefiting from the increased digital spending, is beginning to see weaker growth as customers push back on spending.

A silver lining to exports is that India is emerging as a beneficiary of supply chain rebalancing out of China. We are beginning to see a visible impact of this at ground level. Most prominent amongst these being Apple, where all three of its global manufacturers are setting up plants in India. Apple is already exporting over US\$1bn of iPhones from India each month, with plans for 25% of global manufacturing shifting to India. Many of our own portfolio companies in diverse sectors such as Auto Ancillary, Textiles, Tiles and Industrials are seeing new business from customers who typically sourced from China. Geopolitics is favouring India and this could be a potentially big opportunity for Indian companies over time.

All the above factors have led to the Indian economy exhibiting remarkable resilience. This is reflected in corporate earnings growth with many companies surprising on the positive, leading to earnings upgrades. Even the IMF has revised India's growth forecast upwards in its latest estimated released in June 2023. India continues to be the fastest growing large economy in the world.

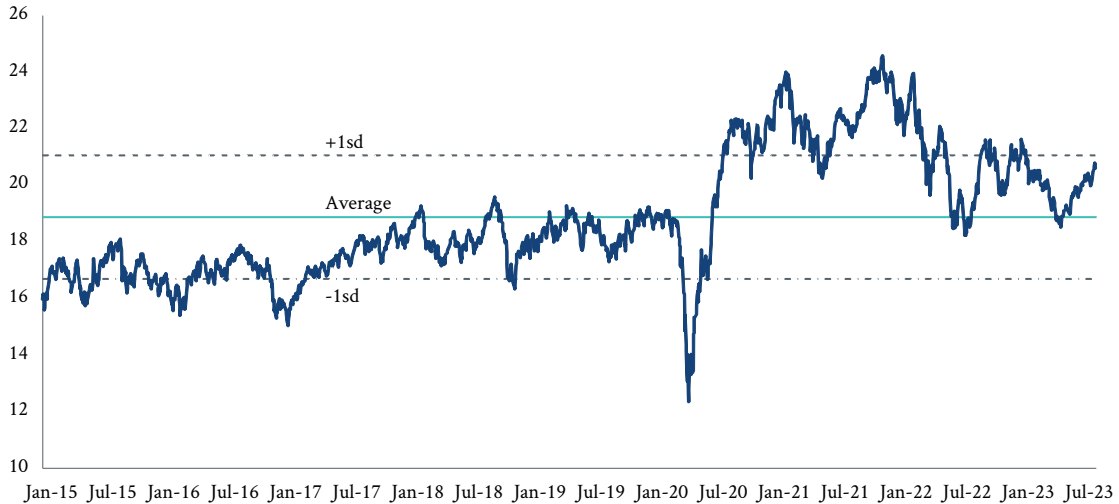
The momentum in the economy is also reflected in the performance of the equity market. After a strong 2022, the positive momentum has sustained in 2023 as well. Our three key observations on the market performance are:

- Valuation multiples have remained stable despite the broad market (BSE Sensex) running up 6.4%. This is because earnings are seeing upgrades. Market valuations, however, remain above historical averages, though lower than previous peaks.
- There has been a return of inflows from Foreign Institutional Investors (FIIs). FIIs registered net outflows of US\$17bn in CY2022, while the first half of 2023 has already seen net inflows of US\$11bn. Domestic institutions too have seen net inflows of US\$10.5bn during this period. In the case of domestic institutions, inflows through systematic investment plans, largely by retail investors including tier 3-4 towns, continues to remain strong at US\$10bn during this period. This is despite markets at near all-time highs. This increases our conviction that these stable flows will reduce volatility in the Indian market for the foreseeable future.
- Finally, the small and mid-cap segment of the market has performed better than the large caps. The sustained inflows in domestic mutual funds (some of which are in dedicated small/mid-cap funds), valuation mispricing and better earnings growth have supported this performance.



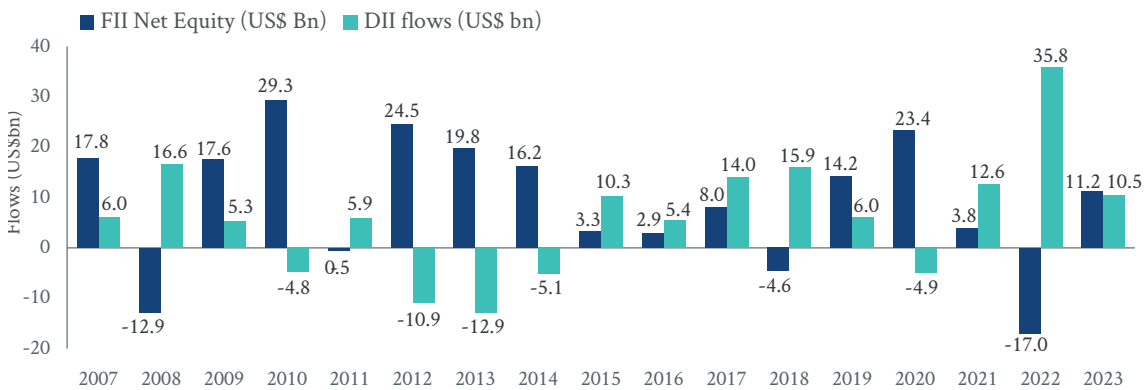
INVESTMENT MANAGER’S REPORT (continued)

MSCI India 1 yr Fwd P/E



Source: Bloomberg, Ocean Dial

Domestic flows providing stability



Source: Bloomberg, Ocean Dial Note: 2023 flows are until June 2023

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. 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 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.

INVESTMENT MANAGER'S REPORT (continued)

FUND PERFORMANCE

India Capital Growth Fund (ICGF) is also benefiting from all the above factors. In Sterling, ICGF returned 7.6%, (8.1% before Indian capital gains tax provision) in the six months ended June 2023. The INR returns were stronger as the currency depreciated 3.5% against the pound during this period. The absolute performance can be attributed to strong earnings delivery by individual portfolio companies along with an improved business outlook commentary. This has also led to a re-rating for some of these companies, particularly in the small cap space.

However ICGF underperformed the BSE Midcap TR Index (the Benchmark) which returned 10.2% (in GBP) in the same period. This underperformance can be attributed to the Financial sector exposure. Financials is the portfolio's largest exposure (24.6%) and an overweight position, yet unlike the Benchmark, which had almost 50% exposure to companies in the non-banking finance space (NBFC), the portfolio financials exposure was largely through banks. With the RBI pausing the rate hike cycle, NBFC's saw a sharp positive rerating in anticipation of a sharper decline in the cost of borrowing due to their dependence on high-cost wholesale deposits for liabilities. Though some of our banks like **IDFC First** (6.2% weight, up 30%) and **IndusInd Bank** (5% weight, up 10%) did perform well, **City Union Bank** (3.3% weight, down 32%) and **Federal Bank** (6.8% weight, down 13%), dragged down overall performance. Both of the banks registered good operating performance, though in the case of City Union, weaker growth than the industry average led to its de-rerating.

Elsewhere, it was individual stock selection which led to the positive portfolio performance. **Ramkrishna Forgings** (4.4% weight, up 64%), an auto ancillary company which supplies forged components to commercial vehicles in domestic and global markets. Its performance has seen an uptick driven by industry growth, new client wins, new value-added products, as well as a successful foray into new categories like components for railways and passenger vehicles.

Neuland Laboratories (3.6% weight, up 64%), a healthcare company, also delivered strong performance. The company specialises in manufacturing complex Active Pharmaceutical Ingredients (APIs) for Pharma companies. It also partners with global innovators in their R&D for development of new molecules. Investments over the past few years are bearing fruit with the business moving to a higher revenue growth trajectory along with operating leverage driving margins. Both earnings upgrades and valuation re-rating is driving its performance.

Finolex Cables (2.2% weight, up 51%) is India's leading brand of electrical wires and also the price leader. The company is a beneficiary of the pick-up in demand from the growth in infrastructure and real estate sectors. As this is just the beginning of the cycle, the growth

momentum is expected to sustain for the next few years. Likewise, **Skipper** (2.9% weight, up 28%), a manufacturer of transmission & telecom towers, is benefiting from the increased infrastructure spending in India. Being amongst the lowest cost manufacturers globally, Skipper is also seeing an expanding export order book as companies de-risk their sourcing from China.

Besides financials, it was two of the portfolio companies in the cement sector, **JK Lakshmi Cement** and **Sagar Cements** that dragged upon relative performance. While the demand for cement remains strong, profitability for the industry has suffered due to high input prices. Valuations are quite compelling at this level, and we believe Cement remains a key sector to participate in the demand arising from infrastructure and real estate investments.

PORTFOLIO ACTIVITY

We bought **VIP Industries** (VIP), India's largest manufacturer of luggage with a 45% market share in the organised market. VIP is seeing double-digit revenue growth because of rising domestic tourism. VIP is also gaining share as the unorganised market (45% of the industry) is dependent on imports from China and is struggling for survival due to supply chain issues. Reduced competitive intensity is driving topline numbers and margin expansion for VIP.

We also added to **Uniparts India**, an auto ancillary company which listed through an IPO in December 2022. Uniparts manufacturers niche components and assemblies for Tractors and other off-road vehicles. It supplies to leading original equipment manufacturers in the US, Europe and India. The components are small by volume but large in number of stock keeping units, and hence preferred by customers as they prefer sourcing from one entity. Consequently customers are sticky and Uniparts is also able to attract better pricing leading to high return ratios.

The other stocks where the portfolio added to its weight are **Dixon Technologies**, **Sona BLW**, **Affle India**, **EPL**, **Aarti Industries** and **JK Lakshmi Cement**.

During the period, the portfolio used the volatility in price movements to book profits across several companies and keep individual stock weights aligned with risk. These include Ramkrishna Forgings, Finolex Cables, Neuland, MCX, IDFC First, Balkrishna Industries and Persistent Systems. The portfolio also completely exited Coforge, an IT services company as it achieved its price target.

Overall, the number of stocks in the portfolio has reduced by one to thirty four.

Ocean Dial Asset Management

20 September 2023

DIRECTORS' REPORT

The Directors present their interim report and the unaudited condensed financial statements of the Company for the period from 1 January 2023 to 30 June 2023.

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 30 June 2023, the Company has one wholly owned Mauritian subsidiary, ICG Q Limited. The Company has an unlimited life, although a redemption facility has been put in place following the passing of a shareholders' resolution at a General Meeting on 12 June 2020. The next date at which shareholders will be able to request the redemption of some or all of their shares will be on 31 December 2023, with a record date of 30 September 2023.

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 thirty and forty stocks; however, to the extent the Company grows, the number of stocks held may increase over time. The Company is subject to the following investment limitations: No more than 10% of Total Assets may be invested in the securities of any one Issuer or invested in listed closed-ended funds. The Board of Directors of the Company does not intend to use derivatives for investment purposes. The Directors confirm the investment policy of the Company has been complied with throughout the period from 1 January 2023 to 30 June 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

The Principal Risks and Uncertainties outlined on page 12 in the 2022 Annual Report remain unchanged for the period to date with the exception of Emerging Risks given the Russia/Ukraine conflict and rising inflation and energy costs.

Whilst the ongoing conflict between Russia and Ukraine is having a significant impact on the supply and cost of energy and agricultural commodities for many of the world's economies, the Indian economy has been less impacted than most others: India's dependency on imported oil remains but the overall economic impact has been offset by the increasing value of India's IT exports and the government no longer directly absorbs the cost of rising oil costs.

India's inflation is not driven by weak monetary policy, wage pressure or the expectation of wage increases, and India is self-sufficient in agricultural commodities meaning the risk of high inflation having a detrimental impact upon the Indian economy is much less than in many other countries.

RESULTS AND DIVIDENDS

The Company's performance during the period is discussed in the Investment Manager's report. The results for the period are set out in the unaudited condensed statement of comprehensive income. Consistent with the Company's investment policy of providing long term capital appreciation, the Directors do not recommend the payment of a dividend for the period ended 30 June 2023 (2022: £nil).

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 unaudited condensed 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 (80.2% of the portfolio can be liquidated within 5 days); the performance of the investment portfolio (the NAV of the Company increased 18.1% year to date); the overall size of the Company and its impact on the Ongoing Charges of the Company (the NAV 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 59 times covered by highly liquid investments); and the length of time to remit funds from India to Mauritius and Guernsey to settle ongoing expenses (no more than 10 days to have investments liquidated and Sterling funds in Guernsey).

DIRECTORS' REPORT (continued)

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 redemption 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 on the share register seeking long term growth 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 derive further comfort from the absolute growth in the NAV of the company to £145.4m at the end of June 2023.

The Directors are satisfied that the Company has sufficient liquid resources to continue in business for the next twelve months, therefore the unaudited condensed financial statements have been prepared on a going concern basis.

OUTLOOK

Whilst the ongoing conflict between Russia and Ukraine is having an impact on the supply and cost of energy and agricultural commodities for many of the world's economies, the Indian economy has been less impacted than most others: India's dependency on imported oil remains but the overall economic impact has been offset by the increasing value of India's IT exports and the government no longer directly absorbs the cost of rising oil costs. Indeed, India has been the beneficiary of a global corporate trend to diversify supply chains, with many corporates having realised the risk of been overly dependent upon Chinese manufacturers.

India's inflation is not driven by weak monetary policy, wage pressure or the expectation of wage increases, and India is self-sufficient in agricultural commodities meaning the risk of high inflation having a detrimental impact upon the Indian economy is much less than in many other countries.

The investment philosophy of the Company is that in India, optimal returns will be generated over time by investing in companies that are well placed to benefit from the structural growth potential of the Indian economy. Whilst uncertainties remain the future outlook for the portfolio investee companies remains generally strong. This is reflected in the fact that the NAV of the Company has increased by 9.8% over the two months since the period end.

ESG

The ongoing development of internal ESG capabilities and reporting by the Manager continues and is supported by the Directors. The Company's report on Sustainability and ESG is provided on pages 10 and 11.

INVESTMENT MANAGER

As noted in the Chair's statement, the Board is pleased with the support provided by AssetCo over the transition period, as the necessary regulatory approvals of the acquisition of the Manager by AssetCo have been received. The Board believes that this change will provide the Manager with increased resources, which should in turn be positive for the Company.

SUBSTANTIAL INTERESTS

Shareholders who have reported they held an interest of 3% or more of the Ordinary Share Capital of the Company at 31 August 2023 are stated in the table below:

	Number of shares	% holding
Lazard Asset Management ¹	15,197,612	15.75
Hargreaves Lansdown	13,073,161	13.55
City of London Investment Management ²	11,192,782	11.60
Interactive Investor	10,295,966	10.67
West Yorkshire Pension Fund	4,677,028	4.85
AJ Bell	4,185,240	4.34
JM Finn	2,936,851	3.04

1 Subsequent to 31 August 2023 Lazard Asset Management has reduced its shareholding to 11.93%

2 Subsequent to 31 August 2023 City of London Investment Management has reduced its shareholding to 9.76%

DIRECTORS' REPORT (continued)

DIRECTORS

The names of the Directors of the Company are set out on page 1. Elisabeth Scott, Patrick Firth, Lynne Duquemin and Nick Timberlake served throughout the year and to date.

DIRECTORS' INTERESTS

At 30 June 2023, Directors and their immediate families held the following declarable interests in the Company:

	Ordinary shares 30.06.23	Ordinary shares 30.06.22	Ordinary shares 31.12.22
Elisabeth Scott	50,000	50,000	50,000
Patrick Firth	25,000	25,000	25,000
Lynne Duquemin	19,125	19,125	19,125
Nick Timberlake ¹	30,000	-	20,000

1 Emma Timberlake holds an additional 20,000 ordinary shares as a PCA of Nick Timberlake.

At the time of signing this report, there has been no change to the above Director shareholding.

ONGOING CHARGES

In accordance with the recommended methodology set out by the Association of Investment Companies ("AIC"), the ongoing charges of the Company and its subsidiary for the period ended 30 June 2023 were 1.60% based on an average AUM of £133,293,000 (30 June 2022: 1.62% based on an average AUM of £118,619,000 and 31 December 2022: 1.59% based on an average AUM of £125,914,000).

Approved by the Board of Directors and signed on behalf of the Board on 20 September 2023.



Lynne Duquemin
20 September 2023

Patrick Firth

SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

SUSTAINABILITY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (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 as 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.



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

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with EU-adopted IAS 34 'Interim Financial Reporting';
- b) the interim director's report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim director's report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Signed on behalf of the Board by:

Lynne Duquemin
20 September 2023

Patrick Firth

PRINCIPAL INVESTMENTS

AS AT 30 JUNE 2023

HOLDING	Market cap size	Sector	Value £000	% of portfolio
IDFC Bank	M	Financials	9,270	6.1%
Federal Bank	M	Financials	8,786	5.8%
Indusind Bank	L	Financials	7,948	5.3%
Ramkrishna Forgings	S	Materials	7,511	5.0%
Neuland Laboratories	S	Health Care	5,935	3.9%
PI Industries	M	Materials	5,439	3.6%
Skipper	S	Industrials	5,367	3.6%
Persistent Systems	M	Information Technology	5,255	3.5%
Dixon Technologies	M	Consumer Discretionary	5,056	3.3%
Emami	M	Consumer Staples	4,953	3.3%
Sona BLW Precision Forgings	M	Consumer Discretionary	4,848	3.2%
Ccl Products India	S	Consumer Staples	4,673	3.1%
Affle India	S	Communication Services	4,554	3.0%
JK Lakshmi Cement	S	Materials	4,328	2.9%
Kajaria Ceramics	M	Industrials	4,224	2.8%
Balkrishna Industries	M	Consumer Discretionary	4,076	2.7%
Jyothy Laboratories	S	Consumer Staples	4,067	2.7%
City Union Bank	S	Financials	4,014	2.7%
Bajaj Electricals	S	Consumer Discretionary	3,841	2.5%
Welspun India	S	Consumer Discretionary	3,606	2.4%
Total top 20 portfolio investments			107,751	71.4%

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

Market capitalisation size definitions:

L: Large cap – companies with a market capitalisation above US\$8bn

M: Mid cap – companies with a market capitalisation between US\$2bn and US\$8bn

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

PORTFOLIO STATEMENT

AS AT 30 JUNE 2023

HOLDING	Market cap size	Nominal	Value £000	% of NAV
LISTED SECURITIES				
Communication Services				
Affle India	S	430,000	4,554	3.0%
			4,554	3.0%
Consumer Discretionary				
Bajaj Electricals	S	312,734	3,841	2.5%
Balkrishna Industries	M	178,000	4,076	2.7%
Dixon Technologies	M	119,248	5,056	3.3%
Jubilant Foodworks	M	287,500	1,392	0.9%
Sona BLW Precision Forgings	M	972,714	4,848	3.4%
Vedant Fashions	M	116,638	1,396	0.9%
VIP Industries	S	494,812	2,934	1.9%
Welspun India	S	4,036,913	3,606	2.4%
			27,149	18.0%
Consumer Staples				
Ccl Products India	S	727,883	4,673	3.1%
Emami	M	1,207,126	4,952	3.3%
Jyothy Laboratories	S	1,950,272	4,067	2.7%
			13,692	9.1%
Financials				
Cholamandalam Investment and Finance Company	L	175,000	1,931	1.3%
City Union Bank	S	3,264,000	4,015	2.7%
IDFC Bank	M	12,085,000	9,270	6.1%
Indusind Bank	L	598,500	7,948	5.3%
Multi Commodity Exchange	S	158,227	2,294	1.5%
Federal Bank	M	7,209,380	8,786	5.8%
			34,244	22.7%
Healthcare				
Neuland Laboratories	S	217,000	5,935	3.9%
			5,935	3.9%

PORTFOLIO STATEMENT (continued)

HOLDING	Market cap size	Nominal	Value £000	% of NAV
Industrials				
Ashok Leyland	M	1,800,000	2,911	1.9%
Finolex Cables	S	294,457	2,443	1.6%
Kajaria Ceramics	M	347,698	4,225	2.8%
PSP Projects	S	459,000	3,163	2.1%
Skipper	S	3,300,000	5,367	3.6%
Uniparts India	S	655,339	3,509	2.3%
			21,618	14.3%
IT				
Persistent Systems	M	108,545	5,255	3.5%
Tech Mahindra	L	279,719	3,056	2.0%
			8,311	5.5%
Materials				
Aarti Industries	M	491,332	2,391	1.6%
Essel Propack	S	1,152,757	2,391	1.6%
JK Lakshmi Cement	S	623,515	4,328	2.8%
PI Industries	M	143,556	5,439	3.6%
Ramkrishna Forgings	S	1,748,204	7,511	5.0%
Sagar Cements	S	1,611,000	3,332	2.2%
The Ramco Cements	M	238,500	2,130	1.4%
			27,522	18.2%
Total equity investments (including those held by ICG Q Limited)			143,025	94.7%
Cash less other net current liabilities			8,075	5.3%
Total Net Assets (before deferred tax provision for India CGT)			151,100	100.0%
Total deferred tax provision for Indian CGT (including provision held by ICG Q Limited)			(5,671)	
Total Net Assets (after deferred tax provision for India CGT)			145,429	
Market capitalisation size definitions:				
L: Large cap – companies with a market capitalisation above US\$8bn				8.6%
M: Mid cap – companies with a market capitalisation between US\$2bn and US\$8bn				41.2%
S: Small cap – companies with a market capitalisation below US\$2bn				44.9%
				94.7%

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	Revenue £000	Capital £000	Unaudited Six months to 30.06.23 Total £000	Unaudited Six months to 30.06.22 Total £000	Audited Year to 31.12.22 Total £000
Income						
Dividend income		33	-	33	26	113
Other income		-	-	-	5	-
Foreign exchange (loss)/gain		(258)	-	(258)	63	65
Net gain/(loss) on financial assets at fair value through profit or loss	5	-	10,894	10,894	(20,403)	4,374
Total income		(225)	10,894	10,669	(20,309)	4,552
Expenses						
Operating expenses	3	(256)	-	(256)	(289)	(534)
Transaction costs		(23)	-	(23)	(12)	(22)
Total expenses		(279)	-	(279)	(301)	(556)
Profit/(loss) for the period/year before taxation		(504)	10,894	10,390	(20,610)	3,996
Taxation	6	(7)	(133)	(140)	193	(223)
Total comprehensive income/(loss) for the period/year after taxation		(511)	10,761	10,250	(20,417)	3,773
Earnings/(loss) per Ordinary Share (pence)	4			10.62	(20.84)	3.88
Fully diluted earnings/(loss) per Ordinary Share (pence)	4			10.62	(20.84)	3.88

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/(loss) after tax is the "total comprehensive income/(loss)" as defined by IAS 1. There is no other comprehensive income as defined by IFRS and all the items in the above statement derive from continuing operations.

The notes on pages 20 to 28 form part of these financial statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	Unaudited 30.06.23 £000	Unaudited 30.06.22 £000	Audited 31.12.22 £000
Non-current assets				
Financial assets designated at fair value through profit or loss	5	139,934	109,794	134,986
Current assets				
Cash and cash equivalents		6,091	1,270	646
Other receivables and prepayments		173	152	158
		6,264	1,422	804
Current liabilities				
Payables and accruals		(239)	(227)	(214)
Net current assets		6,025	1,195	590
Non-Current liabilities				
Deferred Taxation		(530)	-	(397)
Net assets		145,429	110,989	135,179
Equity				
Share capital	8	965	965	965
Reserves		144,464	110,024	134,214
Total equity		145,429	110,989	135,179
Number of Ordinary Shares in issue	8	96,515,653	96,515,653	96,515,653
Net Asset Value per Ordinary Share (pence) - Undiluted and diluted		150.68	115.00	140.06

The unaudited condensed interim financial statements on pages 16 to 28 were approved by the Board of Directors on 20 September 2023 and signed on its behalf by:



Lynne Duquemin



Patrick Firth

The notes on pages 20 to 28 form part of these financial statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS TO 30 JUNE 2023

	Notes	Share capital £000	Capital reserve £000	Revenue reserve £000	Other distributable reserve £000	Total £000
Balance as at 1 January 2023		965	71,583	(10,524)	73,155	135,179
Gain on investments	5	-	10,761	-	-	10,761
Revenue loss for the period after taxation		-	-	-	(511)	(511)
Balance as at 30 June 2023		965	82,344	(10,524)	72,644	145,429

FOR THE SIX MONTHS TO 30 JUNE 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
Loss on investments	5	-	(20,403)	-	-	(20,403)
Share repurchase	8	(156)	-	-	(19,469)	(19,625)
Revenue loss for the period after taxation		-	-	-	(14)	(14)
Balance as at 30 June 2022		965	47,005	(10,524)	73,543	110,989

FOR THE YEAR TO 31 DECEMBER 2022

	Notes	Share capital £000	Capital reserve £000	Revenue reserve £000	Other distributable reserve £000	Total £000
Balance as at 1 January 2021		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

The notes on pages 20 to 28 form part of these financial statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS TO 30 JUNE 2023

	Unaudited 30.06.23 £000	Unaudited 30.06.22 £000	Audited 31.12.22 £000
Cash flows from operating activities			
Operating profit / (loss)	10,390	(20,412)	3,996
Adjustment for:			
Net (gain)/loss on financial asset at fair value through profit or loss	(10,894)	20,403	(4,374)
Foreign exchange loss/(gain)	258	(63)	(65)
Dividend income	(33)	(26)	(113)
(Increase)/decrease in other receivables and prepayments	(15)	28	22
Increase/(decrease) in payables and accruals	25	(218)	(33)
Cash used in operations	(269)	(288)	(567)
Withholding tax deducted	(7)	(5)	(24)
Net cash flow used in operating activities	(276)	(293)	(591)
Cash flows from investing activities			
Dividend received	33	26	113
Acquisition of investments	(6,824)	(3,044)	(5,441)
Disposal of investments	12,770	21,633	23,615
Net cash flow from investing activities	5,979	18,615	18,287
Cash flows from financing activity			
Redemption of shares	-	(19,625)	(19,625)
Net cash used in financing activity	-	(19,625)	(19,625)
Net increase/(decrease) in cash and cash equivalents during the period/year	5,703	(1,303)	(1,929)
Cash and cash equivalents at the start of the period/year	646	2,510	2,510
FForeign exchange (loss)/gain	(258)	63	65
Cash and cash equivalents at the end of the period/year	6,091	1,270	646

The notes on pages 20 to 28 form part of these financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 30 JUNE 2022

1. ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') as adopted by the EU, IAS 34 'Interim Financial Reporting' and, except as described below, the accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2022.

The unaudited condensed financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2022, which were prepared under full IFRS requirements.

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 2023:

- 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 2023:

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- 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.

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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 unaudited condensed 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 (80.2% of the portfolio can be liquidated within 5 days); the performance of the investment portfolio (the NAV of the Company increased 18.1% year to date); the overall size of the Company and its impact on the Ongoing Charges of the Company (the NAV 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 59 times covered by highly liquid investments); and the length of time to remit funds from India to Mauritius and Guernsey to settle ongoing expenses (no more than 10 days to have investments liquidated and Sterling funds in Guernsey).

Given the Company's previous performance, the Directors proposed a continuation ordinary resolution at the Extraordinary General Meeting held on 12 June 2020, at which the Shareholders approved that the Company continue as currently constituted and introduce a redemption facility which gives the ordinary shareholders the ability to redeem part or all of their shareholding at a Redemption Point every two years. The first Redemption Point was on 31 December 2021 when valid redemption requests were received in respect of 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 redemption 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 on the share register seeking long term growth 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 unaudited condensed financial statements have been prepared on a going concern basis.

Outlook

Whilst the ongoing conflict between Russia and Ukraine is having a significant impact on the supply and cost of energy and agricultural commodities for many of the world's economies, the Indian economy has been less impacted than most others: India's dependency on imported oil remains but the overall economic impact has been offset by the increasing value of India's IT exports and the government no longer directly absorbs the cost of rising oil costs.

India's inflation is not driven by weak monetary policy, wage pressure or the expectation of wage increases, and India is self-sufficient in agricultural commodities meaning the risk of high inflation having a detrimental impact upon the Indian economy is much less than in many other countries.

The investment philosophy of the Company is that in India, optimal returns will be generated over time by investing in companies that are well placed to benefit from the structural growth potential of the Indian economy. Whilst uncertainties remain the future outlook for the portfolio investee companies remains generally strong. This is reflected in the fact that the NAV of the Company increased by 9.8% over the two months since the period end.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 thus no estimation is required.

3. OPERATING EXPENSES

	Unaudited Six months to 30.06.23 £000	Unaudited Six months to 30.06.22 £000	Audited Year to 31.12.22 £000
Administration and secretarial fees	39	22	77
Audit fee	34	28	66
Broker fee	8	16	31
Directors' fees and expenses	57	57	120
D&O insurance	4	5	10
General expenses	22	45	63
Other professional fees	22	34	36
Marketing expenses	47	63	94
Registrar fee	4	5	12
Regulatory fees	19	14	25
	256	289	534

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. EARNINGS PER SHARE

Earnings per Ordinary Share and the fully diluted profit per share are calculated on the profit for the period of £10,249,475 (30 June 2022 – loss of £20,417,000) divided by the weighted average number of Ordinary Shares of 96,515,653 (30 June 2022 – 97,976,136).

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

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

A summary of movements is as follows:

	Unaudited Six months to 30.06.23 Total £000	Unaudited Six months to 30.06.22 Total £000	Audited Year to 31.12.22 Total £000
Fair value at beginning of year	134,986	148,786	148,786
Disposal of investments	(12,770)	(21,633)	(23,615)
Acquisition of investments	6,824	3,044	5,441
Realised gain on disposal of investments	7,930	15,127	15,787
Unrealised gain/(loss) on revaluation	2,964	(35,530)	(11,413)
Fair value at end of period/year	139,934	109,794	134,986

The net realised and unrealised gain/(loss) totalling £10,894,000 (30 June 2022: loss of £20,403,000) 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 £10,098,000 (30 June 2022: loss of £18,949,000) and gains of £796,000 (30 June 2022: loss of £1,454,000) 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:

	Unaudited Six months to 30.06.23 Total £000	Unaudited Six months to 30.06.22 Total £000	Audited Year to 31.12.22 Total £000
Dividend income	337	172	950
Unrealised gain/(loss) on financial assets at fair value through profit and loss	6,556	(34,435)	(14,289)
Realised gain on disposal of investments	5,206	14,038	17,935
Investment management fee	(760)	(650)	(1,370)
Other Operating expenses	(45)	(46)	(79)
Withholding tax on dividend income	(70)	(36)	(199)
Taxes	(150)	(139)	(55)
Transaction costs	(25)	(67)	(98)
Foreign exchange gain/(loss)	3	(53)	(442)
Deferred taxation for Indian Capital Gains Tax	(954)	2,267	201
Net gain/(loss) of ICG Q Limited	10,098	(18,949)	2,554

The equity investment represents holdings in listed securities in India and in ICG Q Limited, the Company's wholly owned subsidiary. ICG Q Limited is incorporated and has its principal place of business in the Republic of Mauritius. The Company holds Participating Shares in ICG Q Limited, which confer voting rights to the Company, hence controlling interests. As described in the statutory accounts of the Company for the year ended 31 December 2022, the Company qualifies as an investment entity under IFRS 10. It therefore does not consolidate its investment in ICG Q Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION

Guernsey

India Capital Growth Fund Limited is exempt from taxation in Guernsey on non-Guernsey sourced income. The Company is exempt under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended) and paid the annual exemption fee of £1,200. For the period ended 30 June 2023, the Company had a tax liability of £nil (2022: £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 £530,000 at 30 June 2023 (30 June 2022: £nil) (2022: £397,000) and for its subsidiary was £5,136,000 at 30 June 2023 (30 June 2022: £2,065,000) (2022: £4,187,000).

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 period ended 30 June 2023 was £7,000 (30 June 2022: £5,000) and for its subsidiary was £70,000 (30 June 2022: £36,000).

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 Interim 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
Issued share capital		
At 30 June 2023	96,515,653	965
At 30 June 2022	96,515,653	965
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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Share capital (continued)

Treasury shares

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.

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 NAV per share. There were no share buy backs for the first half of 2023.

	Number of shares	Treasury shares £000
Ordinary shares held in treasury as at 30 June 2023	15,986,520	160
Activity up to 30 June 2022	15,574,076	156
Activity up to 31 December 2021	412,444	4

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 30 June 2023 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	19,122	-	-	19,122
Unlisted securities	-	120,812	-	120,812
	19,122	120,812	-	139,934

The analysis as at 30 June 2022 is as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Listed securities	10,042	-	-	10,042
Unlisted securities	-	99,752	-	99,752
	10,042	99,752	-	109,794

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
	14,038	120,948	-	134,986

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Fair value of financial instruments (continued)

The Company's investment in ICG Q Limited, the Company's wholly owned unlisted subsidiary, is priced based on the subsidiary's net asset value as calculated as at the reporting date. The Company has the ability to redeem its investment in ICG Q Limited at the net asset value at the measurement date therefore this is categorised as Level 2. All the underlying investments of ICG Q Limited are categorised as Level 1 at 30 June 2023 and 2022. There have been no transfers between levels during the period. The period-end fair value of those investments, together with cash held in ICG Q Limited, comprise all but an insignificant proportion of the net asset value of the subsidiary.

The Board has agreed with the Manager a gradual reduction in Company holdings in ICG Q in order to streamline the structure and reduce overall costs.

10. FINANCIAL INSTRUMENTS AND RISK PROFILE

The primary objective of the Company is to provide long-term capital appreciation by investing predominantly in companies based in India. The investment policy permits making investments in a range of equity and equity linked securities of such companies. The portfolio of investments comprises listed Indian companies, predominantly mid cap and small cap.

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

Capital management

The Company is a closed-ended investment company and thus has a fixed capital for investment. It has no legal capital regulatory requirement. The Board has the power to purchase shares for cancellation thus reducing capital and the Board considers on a regular basis whether it is appropriate to exercise such powers. In the period ended 30 June 2023, the Board determined that it was inappropriate to exercise such powers, although continuation of these powers will be sought at the next Annual General Meeting.

The Board also considers from time to time whether it may be appropriate to raise new capital by a further issue of shares. The raising of new capital would, however, be dependent on there being genuine market demand.

Market risk

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

The Group's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager in pursuance of the investment objectives and policies and in adherence to the investment guidelines and the investment and borrowing powers set out in the Admission Document. The Group's investment portfolio is concentrated and, as at 30 June 2023, 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 (2023: 94.7%; 30 June 2022: 86.3%) to any movement in the BSE Mid Cap Total Return Index. At 30 June 2023, with all other variables held constant, this approximation would produce a movement in the net assets of the Group's investment portfolio of £14,303,000 (30 June 2022: £9,576,000) for a 10% (30 June 2022: 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments and risk profile (continued)

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 predominantly of Rupee denominated investments but reporting, and in particular the reported NAV, is denominated in Sterling. Any appreciation or depreciation in the Rupee would have an impact on the performance of the Company. The underlying currency risk in relation to the Group's investment portfolio is the Rupee. The Group's policy is not to hedge the Rupee exposure.

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

At 30 June 2023, if the Indian Rupee had strengthened or weakened by 10% (30 June 2022: 10%) against Sterling with all other variables held constant, pre-tax profit for the period would have been £12,600,600 (30 June 2022: £10,164,000) 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 effected against binding subscription agreements.

The principal credit risks are in relation to cash held by the custodian. Kotak Mahindra Bank Limited ("Kotak") acts as the custodian to the Group. The aggregate exposure to Kotak at 30 June 2023 was £5,498,841 (30 June 2022: £700,000).

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

Interest rate risk

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

Liquidity risk

Liquidity risk arises mainly from the Group encountering difficulty in realising assets or otherwise raising funds to meet financial commitments. The Group has no unlisted securities, and its focus is to invest predominantly in mid and small cap listed stocks, which may take time to realise. The Directors do not believe that the market is inactive enough to warrant a discount for liquidity risk on the Group's investment portfolio.

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

All liabilities are current and due on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments and risk profile (continued)

Taxation risk

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

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

The Group seeks to minimise the impact of these changes in the taxation rates applicable to its capital gains by maintaining its investment strategy of investing in a concentrated portfolio for long term capital appreciation.

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 fully in each Annual Report.

The Investment Manager is entitled to receive a management fee payable jointly by the Group equivalent to 1.25% per annum of market capital value, calculated and payable monthly in arrears. The Investment Manager earned £760,000 in management fees during the six months ended 30 June 2023 (six months ended 30 June 2022: £650,000 and year ended 31 December 2022: £1,370,000) of which £136,000 was outstanding at 30 June 2023 (30 June 2022: £97,000 and 31 December 2022: £125,000).

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 flat fee of 5 basis points of the NAV of the Company, whichever is greater.

The Administrator is also entitled to reimbursement of all out of pocket expenses. The Administrator earned £39,000 for administration and secretarial services during the six months ended 30 June 2023 (six months ended 30 June 2022: £22,000 and year ended 31 December 2022: 77,000) of which £18,000 was outstanding at 30 June 2023 (30 June 2022: £25,000 and 31 December 2022: £19,000).

12. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 30 June 2023 and the date of approving these unaudited condensed financial statements.

13. SUBSEQUENT EVENTS

There have been no material events since the end of the reporting period which would require disclosure or adjustment to the unaudited financial statements for the period ended 30 June 2023.

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