



ASHOKA INDIA EQUITY INVESTMENT TRUST PLC

HALF-YEARLY FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019



| | |
|---|----|
| INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY | 2 |
| CHAIRMAN'S STATEMENT | 3 |
| INVESTMENT MANAGER'S REPORT | 5 |
| TOP TEN HOLDINGS | 9 |
| INTERIM MANAGEMENT REPORT | 10 |
| DIRECTORS' STATEMENT OF RESPONSIBILITY | 10 |
| CONDENSED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME | 11 |
| CONDENSED UNAUDITED STATEMENT OF FINANCIAL POSITION | 12 |
| CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY | 13 |
| CONDENSED UNAUDITED STATEMENT OF CASH FLOWS | 14 |
| NOTES TO THE FINANCIAL STATEMENTS | 15 |
| ALTERNATIVE PERFORMANCE MEASURES | 23 |
| DIRECTORS, INVESTMENT MANAGER AND ADVISERS | 24 |

Investment Objective, Financial Information and Performance Summary

2

Investment Objective

The investment objective of the Company is to achieve long-term capital appreciation, mainly through investment in securities listed in India and listed securities of companies with a significant presence in India.

Financial information

| | As at 31 Dec 2019 | As at 31 Dec 2018 |
|---|-------------------|-------------------|
| Net asset value ('NAV') per Ordinary Share (cum income) | 106.3p | 97.7p |
| Ordinary Share price | 108.5p | 91.3p |
| Ordinary Share price premium / (discount) to NAV ¹ | 2.1% | (6.6%) |

Performance summary

| | % change ^{2,3} 2019 | % change ^{2,3} 2018 |
|--|---------------------------------|---------------------------------|
| Share price total return per Ordinary Share ¹ | -0.5% | -8.7% |
| NAV total return per Ordinary Share ¹ | -2.3% | -0.3% |
| MSCI India IMI Index (sterling terms) | -5.2% | 3.1% |

1 These are Alternative Performance Measures.

2 Total returns in sterling for the six month period.

3 Source: Bloomberg.

Alternative Performance Measures ('APMs')

The items in the Financial information and the Performance summary indicated in the footnote above, are considered to represent APMs of the Company. Definitions of these APMs together with how these measures have been calculated can be found on page 23.

I am pleased to present the Company's half-year financial report for the period 1 July to 31 December 2019. In the period, landmark reforms to the tax system have boosted the potential profits of Indian companies and reduced the cost of doing business in the country, making it an even more attractive destination for new investments.

Performance

NAV and share price total return performance in sterling terms in the period under review was -2.3% and -0.5% respectively, compared to -5.2% for the index. It is particularly pleasing that the portfolio's small and mid-cap stocks did so well, especially in a period of relative out-performance from large-cap stocks, in which the Company's portfolio has been underweight. This reflects favorably on the Investment Manager's strong stock selection capabilities.

The Company's shares traded at a premium to NAV (cum income) of 2.1% at the end of the period.

Share Issuance

The Company continued to issue new shares during the period in response to demand from existing and new shareholders. This demand was broadly based and reflects a growing interest in the Indian economy and, in particular this Company which offers a stock-specific portfolio agnostic to style and the index. As a result, the Company issued a further 9.1 million shares raising a net £10.0 million in the period under review. New shares are issued at a small premium to the prevailing NAV to ensure no dilution to existing shareholders. As of 9 March 2020, the Company's market capitalisation was £68.3 million.

In order for the Company to be able to pursue its growth strategy, a new prospectus was published on 20 December 2019 with shareholders having passed all resolutions at a General Meeting on 19 December 2019. This will enable the Company to continue to respond quickly when opportunities to issue further shares present themselves.

Revenue and Dividends

The Company's principal objective is to provide returns through long-term capital appreciation, with income being a secondary consideration. Therefore, shareholders should not expect that the Company will pay an annual dividend under normal circumstances. Whilst the portfolio does generate a small amount of income, this is used to defray running costs. However, the Company may declare an annual dividend to maintain UK investment trust status if there is a sufficient surplus of income. In the period under review, no interim dividend has been declared.

Redemption Facility

The Company has a redemption facility through which shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The first Redemption Point for the Ordinary Shares was on 30 September 2019. The Board was pleased that the Company received only 126,431 redemption requests and these shares were matched with buyers. The Board has absolute discretion to operate the annual redemption facility on any given Redemption Point and to accept or decline in whole or in part any redemption request.

Shareholders are reminded that investment in a Company of this nature should only be considered if it is understood that the significant growth potential of the Indian equity market is likely to be achieved over the medium to longer term, a minimum of five years.

Outlook

The investment case for India remains strong and compelling. The Investment Manager believes the Indian economy is experiencing a once-in-an-era transformation. The introduction of a Goods and Services Tax (GST) is a notable reform simplifying complex tax laws and encouraging greater entrepreneurial productivity through a focus on business rather than tax whilst at the same time, producing higher tax compliance.

The Investment Manager remains focused on selecting companies with superior growth prospects coupled with strong corporate governance. Whilst this process takes time, the Board is convinced that this approach will deliver strong returns for our investors.

The world economic fallout resulting from a severe outbreak of the coronavirus cannot be underestimated at this stage and India's economy will not be immune. Whilst risks remain, investment in this well-managed, balanced portfolio of Indian equities should prove rewarding over the medium to long term.

Andrew Watkins

Chairman

10 March 2020

For the second half of calendar year 2019, Ashoka India Equity Investment Trust (the "Company") NAV total return generated 290 basis points (bps) of alpha versus the MSCI India IMI Index in sterling terms. The Company delivered -2.3% whereas the MSCI India IMI was down 5.2%. Since 31 July 2018 (the date post IPO when the Company was fully invested), the Company has delivered 985 bps of net cumulative alpha with a 7.0% absolute return compared to the benchmark return of -2.9%, both in sterling terms¹.

2019 was a relatively weak year for the Indian equity market as it lagged the US as well as global emerging markets. Whilst the broader equity index was positive for the year, the distribution of returns remained polarized

in a continuation of the divergence experienced in 2018. The S&P BSE large cap index was up 5.2% while the mid and small cap indices were down -5.1% and -13.9% respectively.

This was the second worst year for relative performance for Small and Mid (SMID Cap) in the last fifteen years, coming on the back of 2018, which was the worst year in this period. As can be seen in the graph below, these two years have rapidly wiped out the cumulative valuation premium that SMID caps had reached at the start of 2018 following a sustained rerating that began in mid-2013 coinciding with Modi's nomination as the Prime Ministerial candidate for the BJP.

India's historical mid cap vs large cap valuation premium %



Source: Bloomberg. As of December 2019

To be clear, the purpose of the above graph is not to suggest that SMID caps are ripe for a bounce back, but to show where we stand today relative to the past. At present, SMID caps are trading close to their longer-term average valuations, trading at a modest discount to the large cap segment of the markets. Through this tumultuous period, the Company has been predominantly invested in SMID caps, in contrast to the 20% weighting this segment has in the MSCI India IMI.

Generating alpha during such a time is analogous to swimming against a strong current and the magnitude of the Company's alpha over the benchmark should be viewed in this context. The benchmark itself has been a top quartile performer with most managers struggling to keep up with it. As a result, the Company is amongst the best performers relative to the peer group.

¹ Performance numbers are net of fees and after accounting for all actual taxes paid and after providing for taxes on unrealized gains.

Key Contributors

| Top 5 Contributors | Ending Weight (%) As at 31 Dec 2019 | Total Return (%) | Contribution to Return (bps) |
|--------------------------------------|--|------------------|------------------------------|
| HDFC Asset Management Co Limited | 4.8 | +49.4 | +204 |
| Navin Fluorine International Limited | 3.4 | +33.0 | +68 |
| Polycab India Limited | 1.5 | +48.2 | +53 |
| Nestle India Limited | 3.1 | +17.7 | +52 |
| Dr. Lal Pathlabs Limited | 1.5 | +30.7 | +44 |

HDFC Asset Management Company (HDFC AMC) is India's largest asset management company with close to a 15% market share of the assets held within mutual funds in India. India is one of the most underpenetrated markets for retail investment in mutual funds with the level of investment standing at 12.9% of GDP compared to the global average of 61%. This provides HDFC AMC a long runway for growth. It has been delivering industry leading revenue and profitability on a consistent basis. During the period under consideration it continued to gain significant market share particularly in the debt mutual fund category and delivered better than expected performance, despite a backdrop of regulatory headwinds.

Nestle India Limited, a subsidiary of Swiss Nestle S.A, is India's third largest Fast Moving Consumer Goods company. With marquee brands like Maggi, KitKat and Nescafe in its portfolio, it is a market leader in almost all the categories that it operates in. Under the leadership of Suresh Narayanan, Nestle has not only managed to emerge stronger from the Maggi fiasco three years ago, but also significantly increase focus on new product development and distribution. It has launched more

than 40 products in various categories over the past two years following a cluster-based approach to enhance distribution. We expect Nestle to continue to deliver steady performance led by increasing penetration and new product introductions.

Dr. Lal Pathlabs Limited (DLPL) is the largest diagnostics chain in India. The industry is significantly underpenetrated and approximately 50% of the market is occupied by small companies who are gradually vacating the market due to scalability challenges and tightening regulations. DLPL derives approximately 80% of its revenue from North India where it is three times the size of the next largest operator. It has focused on deepening penetration in its core market whilst gradually expanding into a pan-India presence. Amongst the peer group it has the highest contribution from its B2C business leading to better pricing power and customer loyalty. As a result, DLPL is the most efficient diagnostics chain in the industry with a negative working capital cycle and superior returns on capital. We expect DLPL to continue on its growth trajectory as it scales its reference labs and captures market share from smaller operators.

Key Detractors

| Top 5 Detractors | Ending Weight (%) As at 31 Dec 2019 | Total Return (%) | Contribution to Return (bps) |
|---------------------------------|--|------------------|------------------------------|
| L&T Technology Services Limited | 3.5 | -20.8 | -134 |
| Infosys Limited | 0.0 | -20.7 | -125 |
| Intellect Design Arena Limited | 0.9 | -51.6 | -120 |
| Axis Bank Limited | 2.0 | -13.2 | -116 |
| HDFC Bank Limited | 5.1 | -9.5 | -53 |

L&T Technology Services (LTTS) is a leading engineering R&D services company globally and counts 51 of the top 100 R&D spenders as its customers. It has strong competencies across transportation, process engineering, industrial automation, telecoms and the hi-tech verticals. A multi-vertical strategy, global design centres, competencies across technologies, and deeper account mining are expected to drive strong business performance over the coming years. The stock price declined during the period as ramp downs in two specific client accounts impacted overall growth. However, we continue to like LTTS for its strong capabilities across its operating verticals as well as its focused and experienced management team.

Infosys is India's second largest IT services company with US\$12bn in revenues. It has a strong global presence including in the key markets of North America and Europe along with a high-quality customer portfolio. Infosys operates across seven major verticals: (a) banking, financial services and insurance (BFSI), (b) retail & consumer packaged goods (CPG), (c) communications, (d) energy and utilities, (e) manufacturing, (f) hi-tech and (g) life sciences. BFSI is the largest vertical contributing approximately 31% of overall revenues. The company expects strong demand in retail banking, commercial banking, payments and wealth management segments to lead to robust growth in the vertical, with better win rates and a strong deal pipeline being the key lead indicators. Retail & CPG is the second biggest vertical contributing close to 15% of revenues and this vertical has seen large deal wins and new logo additions. The share price declined during the period as certain whistle-blower allegations surfaced in the media.

Intellect Design Arena Limited is a financial services software product company, regarded as a leading solution provider in transaction banking software which accounts for 45% of its revenue. Other product suites include payments, retail banking and digital banking software. It has invested substantially in product R&D over the last ten years and is now monetizing the enterprise software product suite. The stock price declined during

the period due to the ongoing weakness in technology spending amongst North American & European banking customers. Sales cycles have elongated, consequently impacting deal closures and revenue momentum. However, we continue to like the business given its market leadership in global transaction banking software products and the strong growth trajectory expected from its broad product pipeline.

Investment Outlook

Calendar year 2019 felt like a more eventful one than years past. The Indian economy entered the year following a challenging 2018 which saw non-bank financial companies (NBFCs) besieged with liquidity problems. The situation has since improved, but challenges remain with weaker NBFCs in the system finding it difficult to raise capital and some facing solvency challenges.

Signs of moderation in demand emerged early in the year and subsequently economic growth has seen material deceleration. With the benefit of hindsight and the compulsion to rationalise, experts have attributed the current slowdown to a series of shocks to the economy over the past few years including the short term impacts of demonetisation, implementation of a Goods and Services Tax (GST), real estate reforms, a clampdown on corruption, peaking corporate loan NPAs and the NBFC crisis. In our view the trend of ever-increasing tax rates in various forms over the last few years is one of the primary reasons for the deterioration in business sentiment and the resultant slowdown in job creation. Experts can pick their own poison, but the reality remains that the full year GDP growth in 2019 is expected to come in at 5% compared to 7% for the previous year. World Bank estimates suggest growth in India is expected to recover to 5.8% in 2020.

The monetary easing cycle that began in late 2018 has continued throughout 2019 and the Central Bank has further room to be accommodative, although currently it is on a pause following a recent pick-up in inflation towards the end of the year. The benchmark repo rate currently stands at 5.15% down 135bps since the

beginning of 2020. Macro variables such as inflation and the current account deficit remain stable. Furthermore, India enjoyed one of the best monsoon rains in decades, which may benefit agricultural output and revive rural sentiment.

The BJP led NDA government secured a strong majority in the central parliamentary elections held in May 2019. The current electoral maths indicates a potential majority in the upper house of the Parliament as well as in the forthcoming elections in 2022. This should allow the Government to push through several long pending difficult reforms, if it chooses to. Whilst a stable government at the helm for the next five years remains a positive for business sentiment, its first budget in early July disappointed the market, primarily due to tax increases on the so called 'super-rich' as well as the introduction of a share buy-back tax. The latter is effectively an additional tax on the corporate sector while the former is an incremental personal tax. In the days and weeks following the budget, business sentiment, already suffering from a slowing economy, weakened further.

Recognizing the gravity of the situation, the Government sought to take several corrective measures to impose sentiment. Among other things it announced divestment of several public sector units which has the potential to raise tens of billions of dollars of much needed fiscal resource.

On 20 September 2019, the Government announced the reduction of the headline corporate tax rates from approximately 35% to 25% and a further reduction for new manufacturing units to 17%. In our view this could mark an important turning point in the NDA Government's tenure of the last six years marking a U-turn in its previous trajectory of raising taxes. We believe this could be the first of a series of tax cuts which should improve the competitiveness of Indian industry, revive business sentiment, rekindle entrepreneurial risk-taking and create jobs. The Union Budget presented in February 2020 focused on fiscal prudence, infrastructure

spending and incentives to encourage domestic manufacturing. In addition, the latest monetary policy declaration from The Reserve Bank of India focused on offering to support growth by aiding in the faster transmission of lower interest rates to the real economy and regulatory forbearance to stressed real estate developers to enable access to funding to complete projects.

We are closely monitoring the evolving coronavirus epidemic and evaluating any potential impact this may have on our investment companies. At the moment we do not believe there is significant effect, but if the situation deteriorates there could be supply chain disruption for some of our portfolio companies in industries such as manufacturing, speciality chemicals and pharmaceuticals. Looking further out, we anticipate that this disruption may result in some manufacturing and production moving from China to other parts of the world, including India.

As much as one may want to talk about the macro economy, in our opinion, the opportunity to continue to generate significant alpha through stock selection remains the most attractive aspect of the investment case for India. From this perspective, the outlook for India is as positive as in years past.

Acorn Asset Management Ltd

10 March 2020

Top Ten Holdings

| As at 31 December 2019 | % of net assets |
|--------------------------------------|------------------------|
| Bajaj Finance Limited | 7.5 |
| Bajaj Finserv Limited | 7.4 |
| HDFC Bank Limited | 5.1 |
| HDFC Asset Management Co Limited | 4.8 |
| Asian Paints Limited | 4.3 |
| Titan Co Limited | 3.8 |
| NIIT Technologies Limited | 3.7 |
| L&T Technology Services Limited | 3.6 |
| Navin Fluorine International Limited | 3.5 |
| Maruti Suzuki India Limited | 3.3 |
| | 47.0 |
| Other holdings | 54.2 |
| Total holdings | 101.2 |
| Cash and other net assets | (1.2) |
| Total net assets | 100.0 |

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTR"). The Directors consider that the Chairman's Statement and the Investment Manager's Report on pages 3 to 8 of this Half-yearly Report provide details of the important events which have occurred during the period and their impact on the financial statements. The following statement on related party transactions and the Directors' Responsibility Statement below, the Chairman's Statement and Investment Manager's Report together constitute the Interim Management Report of the Company for the six months ended 31 December 2019. The outlook for the Company for the remaining six months of the year ending 30 June 2020 is discussed in the Chairman's Statement and the Investment Manager's Report.

Principal risks and uncertainties

The principal risks and uncertainties to the Company are detailed on pages 12 to 13 of the Company's most recent Annual Report for the year ended 30 June 2019 which can be found on the Company's website at <https://www.ashokaindiaequity.com>. The principal risks and uncertainties facing the Company remain unchanged from those disclosed in the Annual Report for the year ended 30 June 2019 and the Board are of the opinion that they will continue to remain unchanged for the forthcoming six month period. The principal risks and uncertainties facing the Company are as follows:

- (i) market risks (economic conditions and sectorial diversification);
- (ii) corporate governance and internal control risks (including cyber security);
- (iii) regulatory risks; and
- (iv) financial risks.

Related party transactions

Details of the amounts paid to the Company's Investment Adviser and the Directors during the period are detailed in the notes to the condensed financial statements.

Going concern

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the following twelve-month period from the date of this report. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets as at 31 December 2019 were £62.9 million (31 December 2018: £45.4 million). As at 31 December 2019 the Company held £63.6 million (31 December 2018: £44.5 million) in quoted investments and had cash of £1.5 million (31 December 2018: £1.1 million). The total expenses (excluding finance costs and taxation) for the six months ended 31 December 2019 were £1.1 million (31 December 2018: £0.3 million) and includes the performance fee provision of £0.9 million (31 December 2018: nil).

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HALF-YEARLY REPORT

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting.
- The interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's DTR.

Andrew Watkins

Chairman of the Board
10 March 2020

Condensed Unaudited Statement of Comprehensive Income

For the six months ended 31 December 2019

| | Note | Six months ended 31 December 2019 | | | Period from 11 May 2018 to 31 December 2018 | | | Period from 11 May 2018 to 30 June 2019 | | |
|--|------|--------------------------------------|------------------|----------------|--|------------------|----------------|--|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains/(losses) on investments | | – | 115 | 115 | – | (178) | (178) | – | 6,075 | 6,075 |
| (Losses)/gains on currency movements | | – | (198) | (198) | – | 246 | 246 | – | 364 | 364 |
| Net investment (losses)/gains | | – | (83) | (83) | – | 68 | 68 | – | 6,439 | 6,439 |
| Income | 5 | 312 | – | 312 | 174 | – | 174 | 279 | – | 279 |
| Total income | | 312 | (83) | 229 | 174 | 68 | 242 | 279 | 6,439 | 6,718 |
| Performance fees | 7 | – | (904) | (904) | – | – | – | – | (52) | (52) |
| Operating expenses | 8 | (239) | – | (239) | (280) | – | (280) | (474) | – | (474) |
| Operating (loss)/profit before taxation | | 73 | (987) | (914) | (106) | 68 | (38) | (195) | 6,387 | 6,192 |
| Taxation | 9 | – | (361) | (361) | – | – | – | – | (811) | (811) |
| (Loss)/profit for the period | | 73 | (1,348) | (1,275) | (106) | 68 | (38) | (195) | 5,576 | 5,381 |
| Return per Ordinary Share | 10 | 0.13p | (2.38)p | (2.25)p | (0.23)p | 0.15p | (0.08)p | (0.41)p | 11.84p | 11.43p |

There is no other comprehensive income and therefore the '(Loss)/profit for the period' is the total comprehensive income for the period.

The total column of the above statement is the statement of comprehensive income of the Company. The supplementary revenue and capital columns, including the earnings per Ordinary Shares, are prepared under guidance from the Association of Investment Companies (AIC).

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 15 to 22 form an integral part of these financial statements.

Condensed Unaudited Statement of Financial Position

As at 31 December 2019

| | Note | 31 December 2019 £'000 | 31 December 2018 £'000 | 30 June 2019 £'000 |
|---|------|------------------------------|------------------------------|--------------------------|
| Non-current assets | | | | |
| Investments held at fair value through profit or loss | 4 | 63,631 | 44,554 | 54,234 |
| Current assets | | | | |
| Cash and cash equivalents | | 1,481 | 1,090 | 1,128 |
| Dividend receivable | | – | 25 | 33 |
| Other receivables | | 68 | 20 | 118 |
| | | 1,549 | 1,135 | 1,279 |
| Total assets | | 65,180 | 45,689 | 55,513 |
| Current liabilities | | | | |
| Purchases for future settlement | | – | (205) | – |
| Other payables | 6 | (170) | (116) | (120) |
| Non-Current liabilities | | | | |
| Performance fee provision | 7 | (904) | – | (52) |
| Capital gains deferred tax position | | (1,170) | – | (811) |
| Realised CGT Provision | | (52) | – | – |
| Total liabilities | | (2,296) | (321) | (983) |
| Net assets | | 62,884 | 45,368 | 54,530 |
| Equity | | | | |
| Share capital | 12 | 592 | 464 | 501 |
| Share premium account | | 13,910 | 666 | 4,372 |
| Special distributable reserve | | 44,276 | 44,276 | 44,276 |
| Capital reserve | | 4,228 | 68 | 5,576 |
| Revenue reserve | | (122) | (106) | (195) |
| Total equity | | 62,884 | 45,368 | 54,530 |
| Net asset value per Ordinary Share | 13 | 106.26p | 97.69p | 108.79p |

The notes on pages 15 to 22 form an integral part of these financial statements.

Condensed Unaudited Statement of Changes in Equity

13

For the six months ended 31 December 2019

| | Note | Share Capital £'000 | Share premium account £'000 | Special distributable reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|---|------|------------------------|--------------------------------|--|--------------------------|--------------------------|----------------|
| Opening balance as at 1 July 2019 | | 501 | 4,372 | 44,276 | 5,576 | (195) | 54,530 |
| (Loss)/profit for the period | | – | – | – | (1,348) | 73 | (1,275) |
| Issue of Ordinary Shares | 12 | 91 | 9,946 | – | – | – | 10,037 |
| Share issue costs | | – | (408) | – | – | – | (408) |
| Closing balance as at 31 December 2019 | | 592 | 13,910 | 44,276 | 4,228 | (122) | 62,884 |

For the period from incorporation on 11 May 2018 to 31 December 2018

| | Note | Share Capital £'000 | Share premium account £'000 | Special distributable reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|--|------|------------------------|--------------------------------|--|--------------------------|--------------------------|----------------|
| Opening balance as at 11 May 2018 | | – | – | – | – | – | – |
| Profit/(loss) for the period | | – | – | – | 68 | (106) | (38) |
| Issue of ordinary shares | 12 | 464 | 45,862 | – | – | – | 46,326 |
| Share issue costs | | – | (920) | – | – | – | (920) |
| Transfer between share premium and special distributable reserve | | – | (44,276) | 44,276 | – | – | – |
| Closing balance as at 31 December 2018 | | 464 | 666 | 44,276 | 68 | (106) | 45,368 |

For the period from incorporation on 11 May 2018 to 30 June 2019

| | Note | Share Capital £'000 | Share premium account £'000 | Special distributable reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|--|------|------------------------|--------------------------------|--|--------------------------|--------------------------|----------------|
| Opening balance as at 11 May 2018 | | – | – | – | – | – | – |
| Profit/(loss) for the period | | – | – | – | 5,576 | (195) | 5,381 |
| Issue of Ordinary Shares | 12 | 501 | 49,535 | – | – | – | 50,036 |
| Share issue costs | | – | (887) | – | – | – | (887) |
| Transfer between share premium and special distributable reserve | | – | (44,276) | 44,276 | – | – | – |
| Closing balance as at 30 June 2019 | | 501 | 4,372 | 44,276 | 5,576 | (195) | 54,530 |

The Company's distributable reserves consist of the special distributable reserve, capital reserve and revenue reserve.

The notes on pages 15 to 22 form an integral part of these financial statements.

Condensed Unaudited Statement of Cash Flows

For the six months ended 31 December 2019

| | Six months ended 31 December 2019 | Period from 11 May 2018 to 31 December 2018 | Period from 11 May 2018 to 30 June 2019 |
|--|--|---|---|
| Note | £'000 | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Operating (loss)/profit before taxation | (914) | (38) | 6,192 |
| Decrease/(increase) in receivables | 83 | (45) | (152) |
| Increase in payables | 813 | 137 | 171 |
| Gains/(losses) on investments | (115) | 178 | (6,075) |
| Net cash flow (used in)/from operating activities | (133) | 232 | 136 |
| Cash flows from investing activities | | | |
| Purchase of investments | (48,219) | (65,667) | (82,846) |
| Sale of investments | 39,076 | 21,119 | 34,689 |
| Net cash flow used in investing activities | (9,143) | (44,548) | (48,157) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 10,037 | 46,326 | 50,036 |
| Share issue costs | (408) | (920) | (887) |
| Net cash flow from financing activities | 9,629 | 45,406 | 49,149 |
| Increase in cash and cash equivalents | 353 | 1,090 | 1,128 |
| Cash and cash equivalents at start of period | 1,128 | – | – |
| Cash and cash equivalents at end of period | 1,481 | 1,090 | 1,128 |

The notes on pages 15 to 22 form an integral part of these financial statements.

1. Reporting entity

Ashoka India Equity Investment Trust plc is a closed-ended investment company, registered in England and Wales on 11 May 2018. The Company's registered office is Mermaid House, 2 Puddle Dock, London EC4V 3DB. Business operations commenced on 6 July 2018 when the Company's Ordinary Shares were admitted to trading on the London Stock Exchange. The financial statements of the Company are presented for the period from 1 July 2019 to 31 December 2019.

The Company primarily invests in securities listed on any stock exchange in India and securities of companies with a significant presence in India that are listed on stock exchange outside India.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), and the Disclosure Guidance and Transparency Rules ('DTRs') of the Financial Conduct Authority (FCA).

When presentational guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('the AIC') in October 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.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements.

The Directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There have been no estimates, judgements or assumptions which have had a significant impact on the financial statements for the period.

The Indian capital gains tax provision represents an estimate of the amount of tax payable by the Company. Tax amounts payable may differ from this provision depending when the Company disposes of investments. The current provision on Indian capital gains tax is calculated based on the long term or short term nature of the investments and the applicable tax rate at the period end. The short term tax rates are 15% and the long term tax rates are 10%. The estimated tax charge is subject to regular review including a consideration of the likely period of ownership, tax rates and market valuation movements.

As disclosed in note 9 to the financial statements, the Company made a capital gains tax provision of £361,000 (31 December 2018: £nil and 30 June 2019: £811,000) in respect of unrealised gains on investments held.

2. Basis of preparation (continued)

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

Functional and presentation currency

The Company's investments are denominated in Indian Rupees. However, the Company's shares are issued in sterling and the majority of its investors are UK based. Therefore, the financial statements are presented in sterling, which is the Company's functional currency. All financial information presented in sterling has been rounded to the nearest thousand pounds.

3. Accounting policies

(a) Investments

Upon initial recognition, investments are classified by the Company "at fair value through profit or loss" as they are equity investments. They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently quoted investments are valued at fair value which is the bid market price, or if bid price is unavailable, last traded price on the relevant exchange.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Statement of Comprehensive Income within "gains on investments".

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset.

Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss account are recognised under gains on investments.

(b) Foreign currency

Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities, and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling using London closing foreign exchange rates at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Statement of Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Statement of Comprehensive Income within "gains on currency movements".

(c) Income from investments

Dividend income from shares is accounted for on the basis of ex-dividend dates. Overseas income is grossed up at the appropriate rate of tax.

Special dividends are assessed on their individual merits and may be credited to the Statement of Comprehensive Income as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. All other investment income is credited to the Statement of Comprehensive Income as a revenue item.

(d) Capital reserves

Profits achieved in cash by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to the capital column of the Statement of Comprehensive Income and allocated to the capital reserve.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are recognised through the Statement of Comprehensive Income as revenue items except as follows:

Performance fees

Performance fees, if any, are payable directly by reference to the capital performance of the Company and are therefore charged to the Statement of Comprehensive Income as a capital item. No other management fees are payable.

(f) Cash and cash equivalents

Cash comprises cash at hand and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Taxation

Irrecoverable taxation on dividends is recognised on an accruals basis in the Statement of Comprehensive Income.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

(h) IFRS standards that have yet to be adopted

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

IFRS 16 – Leases (effective 1 January 2019) specifies accounting for leases and removes the distinction between operating and finance leases. This standard is not applicable to the Company as it has no leases.

3. Accounting policies (continued)

IFRIC 23 – Uncertainty over Income Tax Treatments seeks to provide clarity on how to account for uncertainty over income tax treatments and specifies that an entity must consider whether it is probable that the relevant tax authority will accept each tax treatment or group of tax treatments, that it plans to use in its income tax filing. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. The interpretation would require the Company to recognise uncertain tax positions which are more than probable within its financial statements. The interpretation is unlikely to have any impact on the financial statements of the Company.

4. Investment held at fair value through profit or loss

| | As at 31 December 2019 £'000 | As at 31 December 2018 £'000 | As at 30 June 2019 £'000 |
|---|---------------------------------------|---------------------------------------|-----------------------------------|
| Investments held at fair value through profit or loss | | | |
| - Listed investments in India | 63,631 | 44,554 | 54,234 |
| Closing valuation | 63,631 | 44,554 | 54,234 |

Under IFRS 13 'Fair Value Measurement', an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Company's investments held at fair value is detailed in the table below:

| | As at 31 December 2019 | | | | As at 31 December 2018 | | | | As at 30 June 2019 | | | |
|--|------------------------|---------|---------|--------|------------------------|---------|---------|--------|--------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investments at fair value through profit or loss – Listed in India | 63,631 | – | – | 63,631 | 44,554 | – | – | 44,554 | 54,234 | – | – | 54,234 |

There were no transfers between levels during the six months ended 31 December 2019.

5. Income

| | Period to 31 December 2019 | Period to 31 December 2018 | Period to 30 June 2019 |
|--------------------------------|----------------------------------|----------------------------------|------------------------------|
| | £'000 | £'000 | £'000 |
| Income from investments | | | |
| Overseas dividends | 312 | 174 | 279 |
| Total income | 312 | 174 | 279 |

6. Other payables

| | As at 31 December 2019 | As at 31 December 2018 | As at 30 June 2019 |
|-----------------------------|------------------------------|------------------------------|--------------------------|
| | £'000 | £'000 | £'000 |
| Accrued expenses | 170 | 116 | 120 |
| Total other payables | 170 | 116 | 120 |

7. Performance fee provision

| | As at 31 December 2019 | | | As at 31 December 2018 | | | As at 30 June 2019 | | |
|---------------------------|------------------------|---------|-------|------------------------|---------|-------|--------------------|---------|-------|
| | Revenue | Capital | Total | Revenue | Capital | Total | Revenue | Capital | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Performance fee provision | - | 904 | 904 | - | - | - | - | 52 | 52 |

The Investment Manager does not receive a fixed management fee in respect of its portfolio management services to the Company. The Investment Manager will become entitled to a performance fee subject to the Company delivering excess returns versus the MSCI India IMI Index in the medium-term. The performance fee will be measured over periods of three years, with the first period ending (approximately three years from the date of Admission) on 30 June 2021.

The performance fee is calculated at a rate of 30% of the excess returns between adjusted NAV per share on the last day of the performance period and the MSCI India IMI Index (sterling) over the performance period, adjusted for the weighted average number of Ordinary Shares in issue during the performance period.

8. Expenses

| | 31 December 2019 | 31 December 2018 | 30 June 2019 |
|-----------------------------------|---------------------|---------------------|-----------------|
| | £'000 | £'000 | £'000 |
| Administration & secretarial fees | 54 | 64 | 106 |
| Auditor's remuneration | | | |
| – Statutory audit fee | 15 | 21 | 30 |
| Broker fees | 15 | 18 | 30 |
| Custody services | 4 | 18 | 6 |
| Directors' fees | 56 | 56 | 111 |
| Board trip to India costs | 3 | - | 6 |
| Directors and officers' insurance | 5 | 3 | 11 |
| Directors' national insurance | 7 | 8 | 14 |
| Board meeting costs | 1 | 2 | 3 |
| Tax compliance and advice | 8 | 8 | 16 |
| Printing and public relations | 28 | 39 | 49 |
| Registrar fees | 5 | 3 | 9 |
| Legal fees | 3 | 9 | 29 |
| FCA and other regulatory fees | 5 | 5 | 16 |
| Listing and MSCI licence fees | 15 | 10 | 29 |
| Other expenses | 15 | 16 | 9 |
| Total | 239 | 280 | 474 |

9. Taxation

(a) Analysis of charge in the period:

| | As at 31 December 2019 | | | As at 31 December 2018 | | | As at 30 June 2019 | | |
|---|------------------------|------------|------------|------------------------|----------|----------|--------------------|------------|------------|
| | Revenue | Capital | Total | Revenue | Capital | Total | Revenue | Capital | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Indian capital gains deferred tax provision | - | 361 | 361 | - | - | - | - | 811 | 811 |
| Total tax charge for the period | - | 361 | 361 | - | - | - | - | 811 | 811 |

10. Return per Ordinary Share

Return per share is based on the loss for the period of £1,275,000 (31 December 2018: loss of £38,000 and 30 June 2019: profit of £5,381,000) attributable to the weighted average number of Ordinary Shares in issue during the six months ended 31 December 2019 of 56,676,104 (31 December 2018: 45,949,192 and 30 June 2019: 47,104,531).

11. Dividend

The Company's objective is to provide shareholder returns through capital growth with income being a secondary consideration. Therefore it is unlikely that the Company will pay a dividend under normal circumstances.

12. Share capital

| | As at 31 December 2019 | | As at 31 December 2018 | | As at 30 June 2019 | |
|---|------------------------|------------|------------------------|------------|--------------------|------------|
| | No. of shares | £'000 | No. of shares | £'000 | No. of shares | £'000 |
| Allotted, issued and fully paid: | | | | | | |
| Redeemable Ordinary Shares of 1p each ('Ordinary Shares') | 59,179,004 | 592 | 46,440,856 | 464 | 50,123,086 | 501 |
| Total | 59,179,004 | 592 | 46,440,856 | 464 | 50,123,086 | 501 |

During the period to 31 December 2019, 9,055,918 Ordinary Shares (31 December 2018: 46,440,856 and 30 June 2019: 50,123,086) were issued with aggregate gross proceeds of £10,037,000 (31 December 2018: £46,326,000 and 30 June 2019: £50,036,000).

13. Net assets per ordinary share

Net assets per ordinary share as at 31 December 2019 is based on £62,884,000 (31 December 2018: £45,368,000 and 30 June 2019: £54,530,000) of net assets of the Company attributable to the 59,179,004 Ordinary Shares in issue as at 31 December 2019 (31 December 2018: 46,440,856 and 30 June 2019: 50,123,086).

14. Related party transactions

There were no fees payable to the Investment Manager as disclosed in Note 7.

Since commencement of operations on 6 July 2018 fees have been payable at an annual rate of £35,000 to the Chairman, £27,500 to the Chair of the Audit Committee and £25,000 to the other Directors.

The Directors had the following shareholdings in the Company, all of which are beneficially owned.

| | As at 31 December 2019 | As at 31 December 2018 | As at 30 June 2019 |
|----------------|------------------------------|------------------------------|--------------------------|
| Andrew Watkins | 67,796 | 49,619 | 63,174 |
| Jamie Skinner | 55,324 | 38,739 | 46,660 |
| Rita Dhut | 52,193 | 35,068 | 44,063 |
| Jerome Booth | 28,997 | 10,877 | 19,962 |

Premium

The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per share.

| As at 31 December 2019 (Unaudited) | | Page | |
|------------------------------------|----------------|------|-------------|
| NAV per Ordinary Share (pence) | a | 2 | 106.26 |
| Share price (pence) | b | 2 | 108.50 |
| Premium | (b÷a)-1 | | 2.1% |

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into the Ordinary Shares of the Company on the ex-dividend date.

| Six months ended 31 December 2019 (Unaudited) | | Page | Share price | NAV |
|---|----------------|------|--------------|--------------|
| Opening at 1 July 2019 (pence) | a | n/a | 109.0 | 108.8 |
| Closing at 31 December 2019 (pence) | b | 2 | 108.5 | 106.3 |
| Total return | (b÷a)-1 | | -0.5% | -2.3% |

n/a = not applicable.

Directors

Andrew Watkins (Chairman)
Jamie Skinner
Dr. Jerome Booth
Rita Dhut

Investment Manager and AIFM

Acorn Asset Management Ltd
4th Floor, 19 Bank Street
Cybercity, Ebene 72201
Republic of Mauritius

Broker

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Custodian

Kotak Mahindra Bank Limited
3rd Floor, 27 BKC
C-27 G-Block
Bandra Kurla Complex
Bandra East
Mumbai 400051
India

Auditors

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EN3 8EX

Registered Office

Mermaid House
2 Puddle Dock
London EC4V 3DB
Registered in England under No.11356069

Investment Adviser

White Oak Capital Management Consultants LLP
Unit 6, 2B, 6th Floor
Energy Building
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400025
India

Secretary & Administrator

PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

Registrar

Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Legal Adviser

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

