THE INDIAN FILM COMPANY

Annual Report and Audited Consolidated Financial Statements

For the period from 4 April 2007 to 31 March 2008

Managed by Film Investment Managers (Mauritius) Limited

Investment Objective

The investment objective of The Indian Film Company Limited (the "Company") and its Subsidiaries; The Indian Film Company (Cyprus) Limited (formerly Braxfield Investment Limited and IFC Distribution Private Limited (collectively the Group) is to achieve total return for Shareholders through investment in a diverse portfolio of Indian films and films primarily targeted at the Indian audience across different genres, languages and budgets. The Group intends to build a film library of Intellectual Property Rights ("IPR") in various formats, including satellite, home video and mobile technology. The Directors and Film Investment Managers (Mauritius) Limited (the "Investment Manager") (formerly known as BK Enterprises Limited) believe that the Group is well placed to take advantage of film investment opportunities and to capitalise on the growth that the Indian film industry is experiencing.

Operational Strategy

The Investment Manager, on behalf of the Group, captures opportunities in the entire value chain of film creation by; (i) sourcing and evaluating prospective film projects through a research-led investment process; and (ii) managing and structuring the production and distribution of such film projects. In sourcing prospective film projects the Investment Manager thoroughly evaluates film concepts, scripts, directors and cast in respect of current market data relating to current tastes and trends. The Investment Manager then assesses the feasibility of the project in relation to budget, timescales and the risks and rewards of each opportunity. Once a film project has been approved by the Board, the Group seeks to retain full ownership of all IPR relating to each film project, although in certain situations the Group may invest in a film project where it may not acquire all rights.

www.theindianfilmcompany.com

A closed-ended investment company, incorporated under The Companies (Guernsey) Law, 1994, as amended.
REGISTERED IN GUERNSEY No. 46723

Katrina Kaif and Akshay Kumar in Welcome

Contents

CHAIRMAN'S Statement

Shaahid Kapoor and Kareena Kapoor in Jab We Met

I am pleased to present to Shareholders the first Annual Report and Accounts of The Indian Film Company Limited (the "Company") which covers the period from inception on 4 April 2007 to 31 March 2008.

On 18 June 2007, the Company's Ordinary Shares were admitted to trading on AIM, a market operated by the London Stock Exchange, having raised gross proceeds of £55 million (net proceeds of £52.78 million) through the issue of 55 million Ordinary Shares of no par value at 100.00 pence each.

Financial Update

I am pleased to report that the Group (the Company and its Subsidiaries) had invested £36.31 million of the funds raised by the period end. In the Admission Document, the Company committed to investing 100% of the funds raised within 18 months of admission to AIM and, as at 31 March 2008, the Group had invested 68.79% (of net proceeds) in the first nine months of trading.

As at 31 March 2008, the Group held cash balances of £19.35 million (£21.62 million including the term deposit) and had investments with a carrying value of £31.39 million. Since 31 March 2008, the Group has committed to invest a further £8.61 million.

The Group recorded a net profit for the period of £1.96 million, giving earnings per share of 3.56 pence, and the Group's net asset value ("NAV") as at 31 March 2008 was 99.59 pence per Ordinary Share; an increase of 3.31% on the last reported NAV of 96.40 pence per Ordinary Share as at 30 September 2007 (unaudited).

The Company's Ordinary Share price decreased 22.50% since the Placing on 18 June 2007 to a mid price of 77.50 pence per Ordinary Share at the period end, representing a discount of 22.18% to the reported NAV of 99.59 pence per Ordinary Share.

Operational Update

In our first fiscal year of operations, we have successfully and swiftly established ourselves in the marketplace.

Key Highlights

- Released "Jab We Met" and "Welcome"
- Successful development of the syndication model for exploitation of satellite and ancillary rights associated with "Jab We Met"
- "Welcome" achieved the third largest opening week of any Indian film at the box office and as at the date of this report, had become the third largest box office success of any Indian film, with gross box office collections of £18 million
- The Company participated in international film festivals, including MIPTV and Cannes Film Festival, where "Welcome" generated extensive media coverage and was well received by the industry
- Renegotiated a 15% higher commission percentage with leading mainstream cinema chains in North America
- Released our films in new international markets such as Switzerland, Germany, Poland, Lithuania and Iran, which contributed towards successfully increasing revenue and box office numbers
- Opened non-traditional channels in international territories to give impetus to DVD sales.

Film Releases

"Jab We Met"

- **Starring:** Shahid Kapoor and Kareena Kapoor
- **Directed by:** Imtiaz Ali
- **Music:** Pritam
- **Genre:** Romantic comedy
- **Produced by:** Shree Ashtavinayak Cinevision
- **Released:** 26 October 2007
- "Jab We Met" ran for 14 weeks and grossed £6.4 million at the Indian box office. The film was the most successful of the Shahid – Kareena partnership
- The Company introduced a syndication model for exploitation of satellite and ancillary rights associated with a film in the Indian market with "Jab We Met". The unique syndication model adopted by the Company unlocked the values associated with the satellite rights for a film by limiting the number of telecasts across various broadcasters and channels

"Welcome"

- **Starring:** Akshay Kumar, Katrina Kaif, Anil Kapoor, Nana Patekar, Paresh Rawal and Mallika Sherawat
- **Directed by:** Anees Bazmee
- **Music:** Anand Raj Anand and Sajid Wajid
- **Genre:** Comedy
- **Produced by:** Feroz Nadiadwala's Base Industries
- **Released:** 21 December 2007
- The Company marketed and distributed the third biggest blockbuster of the Indian film industry across the world. The film achieved the third biggest opening of all time in India and, to the date of this report, had become the third largest box office success of any Indian film, with gross box office collections of £18 million, just behind Dhoom II and Om Shanti Om
- The film has proven to be the most successful film of Akshay Kumar's career

Acquisitions

"Singh is Kinng"

- **Proposed release date:** 8 August 2008
- **Director:** Anees Bazmee
- **Cast:** Akshay Kumar, Katrina Kaif
- **Genre:** Action comedy

"Kidnap"

- **Proposed release date:** 2 October 2008
- **Director:** Sanjay Ghadvi
- **Cast:** Sanjay Dutt, Imran Khan, Minisha Lamba
- **Genre:** Action drama

"Ghajini"

- **Proposed release date:** October/December 2008
- **Director:** A R Murgadoss
- **Cast:** Aamir Khan, Asin
- **Genre:** Action romance

Soha Ali Khan and Irrfan Khan in Dil Kabaddi

"Golmaal Returns"

- **Proposed release date:** October/December 2008
- **Director:** Rohit Shetty
- **Cast:** Ajay Devgan, Kareena Kapoor, Arshad Warsi, Tushar Kapoor, Shreyas Talpade, Amrita Arora
- **Genre:** Comedy

"Shortkut – The Con is On"

- **Proposed release date:** November/December 2008
- **Director:** Neeraj Vohra
- **Cast:** Akshaye Khanna, Arshad Warsi, Amrita Rao
- **Genre:** Comedy

Co-productions

The Group holds a portfolio of fourteen co-productions and plans to release them over the next two years.

Films Sold

During the period the Group made a profit of £0.22 million from the sale of film rights, costing £2.63 million, to third parties for £2.85 million. Whilst it is not envisaged that the sale of film rights will be a core activity it may be undertaken in certain circumstances where it is in the commercial interest of the Group.

Talent Signed

The Group entered into various agreements with popular directors, actors and script writers during the period under review. The Group will mount its own productions with them. These projects will be of varied cast, genre and budget.

Directors

- Anees Bazmee
- David Dhawan
- Sanjay Ghadvi
- Soham Shah
- Abbas Mastan

Actors – Male

- Himesh Reshamiya

Actors – Female

- Kareena Kapoor
- Katrina Kaif

Writers

- Shibani Bhatija

Awards

Some of the awards which the Group's movies received were:

- Screen Best Actor (Female) – Kareena Kapoor for "Jab We Met"
- Filmfare Best Actor (Female) – Kareena Kapoor for "Jab We Met"
- Filmfare Best Dialogue Award – Imtiaz Ali for "Jab We Met"
- IIFA Best Actor (Female) – Kareena Kapoor for "Jab We Met"

Outlook

The outlook for the next six months is very encouraging, with one of the strongest stables of films due for release. We are acquiring new films and our productions are progressing as planned.

On behalf of the Board, I would like to thank the entire team at The Indian Film Company Limited, the Investment Manager, the Investment Adviser, Studio 18, our stakeholders and our audiences for helping us lay the foundation for future years of dynamic growth.

Shyam Benegal

Chairman

1 July 2008

INVESTMENT
Manager's Report

Akshay Kumar in Singh is Kinng

I am delighted to report that the maiden period of the Company's incorporation has been very successful. Since the flotation of the Company on 18 June 2007, we have made a number of investments and are beginning to build a strong portfolio of films.

Strategy

In line with the Investment Objective, we have implemented our three operational models:

1. Acquisitions: We acquire worldwide exploitation rights of a film that is ready for release, almost ready for release or is entering production. The criteria for investment in these films is that they star high profile talent, are from well-known directors and are in a popular genre. The Company will typically own the exploitation rights of these films for a period of at least five years and will seek to maximise revenue through a number of distribution methods.

2. Co-productions: We sign agreements with other producers. Under the terms of these agreements, the co-producer manages the production of the film, under our supervision. We can choose to distribute and exploit such films ourselves or sell them to another distributor in consultation with the co-producer. The Company will, in line with an active approach to portfolio management, retain the intellectual property rights for a limited period or in perpetuity.

3. Productions: We also produce films independently. This involves active participation in all aspects of a film's development, including signing directors and actors, the development of the script, the management of key technicians and locations, and the shoot itself. The Company then completes post production and owns the intellectual property rights in perpetuity. In some cases this may be shared with either the director or a member of the cast.

Our strategy has been to employ a combination of these three models in order to achieve a robust stable of films whereby the Company is associated with strong content, successful marketing and exploitation of films across multiple revenue streams.

In the first period of operation, the focus of our strategy has been to acquire films alongside our co-production and production projects in order to generate revenue. We anticipate this focus shifting towards co-production and production agreements as our portfolio matures and develops.

Competition

The barriers to entry in the Indian film industry are low and therefore competition continues to proliferate. As a consequence of this:

- An increasing number of domestic corporates have entered the sector
- The performance costs of actors and directors are increasing and a trend has begun to emerge, whereby a number of stars are also producing films in order to maximise their own project revenue
- A number of multi-national corporates including Disney, Fox Warner and Universal are entering the market.

Despite these industry dynamics, the Company has established a strong position in the marketplace in the nine months since flotation.

Industry trends

The Indian entertainment and media industry is expected to grow at a compound annual growth rate ("CAGR") of 18% over the period from 2008 to 2012. The Indian film industry is expected to grow at a 13% CAGR, while the Indian television industry is likely to grow at a 22% CAGR over the same five year period.[1]

The traditional revenue streams for the Indian film industry continue to grow organically through an increase in the number of multiplexes, the takeover of single screens by multiplex chains and renovation of existing cinemas, increased ticket prices and digitisation of screens.

In addition, satellite and ancillary rights are growing in terms of their revenue contribution to movie income. The Indian television and broadcasting industry is going through a sea of change with digitisation of distribution, changing consumer behaviour and greater clarity on internet protocol television ("IPTV") in India.

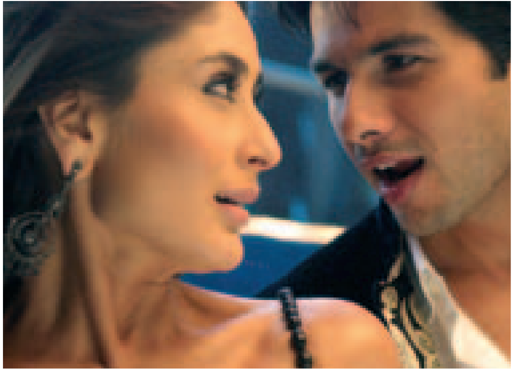
Ancillary revenue streams are being developed, creating new opportunities and broadening and strengthening film income. The internet is emerging as a source of social networking and entertainment. The increasing convergence of TV, mobile telephony and the internet should drive the next wave of growth in entertainment and media and on-demand interactive content, entertainment and education is expected to lead the way.

The Indian music industry has undergone a series of changes with a dynamic shift in film music revenues. Music on mobile phones is becoming increasingly common as handsets become cheaper and music compatible. India currently has 280 radio channels and a further 500 channels are expected to be added over the next five years, with music being the only content allowed on radio. Non-film music is not doing well, which is contributing to an increased audience for film music. Music deals in the Indian film industry are changing and new players are emerging and adding innovation to the marketplace.

The home video market is seeing increasing growth in India as DVD penetration reached 38% in 2007 (source: Screen Digest 2007) and the prices of DVDs seem to be continuously decreasing. Annual DVD player sales are expected to increase from 15 million in 2006 to an estimated 70 million in 2010.

Indian film content has been increasingly accepted in international markets including the UK, USA and popular film festivals and an increasing number of Indian stars are working with Hollywood actors. In 2005, the number of Bollywood films released in the UK outnumbered home grown productions released in the UK. With an increase in the non-resident Indian population, demand for Indian content has increased globally and even non-Indians have begun enjoying Indian films.

Traditionally, film revenue comprises income from domestic theatrical, overseas theatrical, satellite rights, music, and home video rights. The scope of revenue from each of these revenue streams is increasing as a result of a buoyant Indian economy, thereby generating an overall increase in revenue for the Company. In addition, new revenue streams are emerging as a result of technological advances and changes in consumption habits.







Investment Manager's Report continued

Outlook for the Company for the next year

The Company has a strong slate in place for release this year and has isolated a number of further opportunities for investment. Our active approach to portfolio management has ensured that the Company is already in profit following less than ten months of trading with two releases performing strongly at the box office. The Indian film industry is currently experiencing the effect of a number of positive dynamics, which will combine to drive its growth and the breadth of the appeal of Indian film on a global scale. In the coming year we will focus on developing the Company's current portfolio with the continuing acquisition, co-production and production of quality content whilst maximising the revenue of these assets through effective distribution models in order to maximise Shareholder returns.

While the Indian film industry is expected to grow by 15% over the next year from its current size of approximately INR 96 billion to INR 110 billion[1], we are well placed for the next year with a strong stable of films. Our film calendar includes:

Bhootnath

Released on: 9 May 2008
Director: Vivek Sharma
Cast: Amitabh Bachchan, Juhi Chawla
Guest Appearance – Shahrukh Khan
Genre: Children's drama

Ranga Panduranga

Released on: 30 May 2008
Director: K Raghavendra Rao
Cast: Balakrishna and Sneha
Genre: Regional (Telgu)

Singh is Kinng

Proposed release date: 8 August 2008
Director: Anees Bazmee
Cast: Akshay Kumar, Katrina Kaif
Genre: Action comedy

Dil Kabaddi

Proposed release date: 12 September 2008
Director: Anil Sr Sharma
Cast: Rahul Bose, Irrfan Khan, Konkona Sen Sharma, Rahul Khanna, Soha Ali Khan
Genre: Drama comedy

Kidnap

Proposed release date: 2 October 2008
Director: Sanjay Ghadvi
Cast: Sanjay Dutt, Imran Khan, Minisha Lamba
Genre: Action drama

Ghajini

Proposed release date: October/December 2008
Director: A R Murgadoss
Cast: Aamir Khan, Asin
Genre: Action romance

Golmaal Returns

Proposed release date: October/December 2008
Director: Rohit Shetty
Cast: Ajay Devgan, Kareena Kapoor, Arshad Warsi, Tushar Kapoor, Shreyas Talpade, Amrita Arora
Genre: Comedy

Shortkut – The Con is On

Proposed release date: November/December 2008
Director: Neeraj Vohra
Cast: Akshaye Khanna, Arshad Warsi, Amrita Rao
Genre: Comedy

Little Zizou

Proposed release date: December 2008/January 2009
This film has been released on the international festival circuit
Director: Sooni Taraporewala
Cast: Boman Irani
Genre: Crossover

Pappu Pass Ho Gaya

Proposed release date: December 2008/January 2009
Director: Ravi Chopra
Cast: Govinda, Lara Dutta
Genre: Comedy

Loot

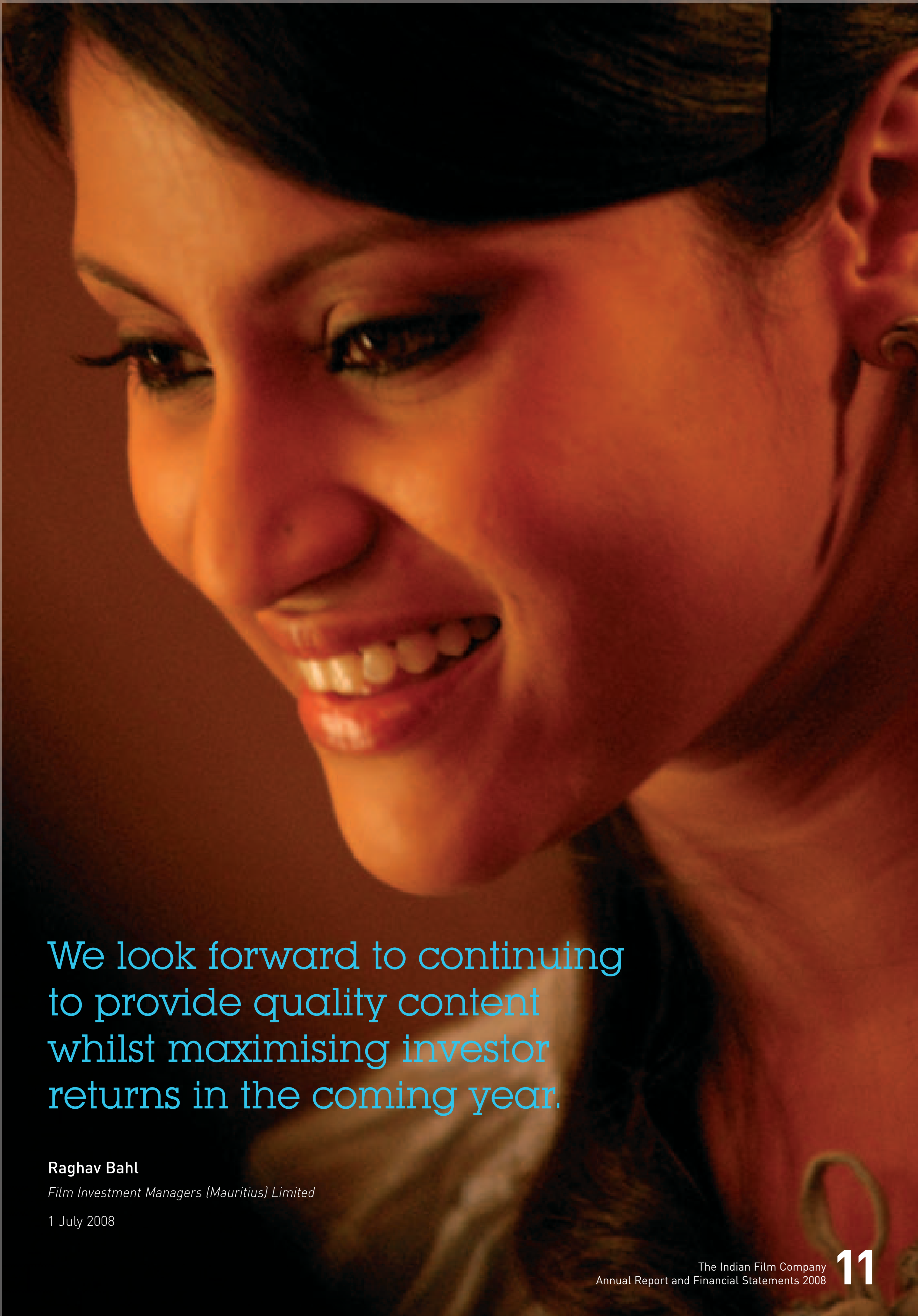
Proposed release date: January/February 2009
Director: Rajneesh Thakur
Cast: Suniel Shetty, Govinda and Others
Genre: Action comedy

Fruit 'N' Nut

Proposed release date: January/February 2009
Director: Kunal Vijaykar
Cast: Cyrus Broacha, Boman Irani, Diya Mirza
Genre: Comedy

(1) Source: FICCI and PricewaterhouseCoopers "The Indian Entertainment and Media Industry – Sustaining Growth Report 2008"

Konkona Sen Sharma in Dil Kabaddi



We look forward to continuing to provide quality content whilst maximising investor returns in the coming year.

Raghav Bahl

Film Investment Managers (Mauritius) Limited

1 July 2008

Directors

Shyam Benegal *(Chairman)*
aged 74 years

Mr. Benegal is one of the leading film makers in India. He has directed over 1,000 advertising commercials, 65 documentaries, 25 motion pictures and three major television series, including a 53-hour series entitled 'The History of India'. His films have won a number of national and international awards. Two of his films were nominated for Best Foreign Film Oscars. He was the chairman of Film Television Institute of India between 1980 and 1983 and between 1989 and 1992, and was part of the National Integration Council between 1986 and 1989 and the National Council of Art between 1980 and 1984. Mr. Benegal was awarded PADMASHRI in 1976, and PADMABHUSHAN in 1991. Both awards were bestowed by the Indian government in recognition of his contribution to Indian public life. He is currently a member of the Upper House of the Indian parliament. He was awarded the State Prize of the USSR in 1985, the Sovietland Nehru Award in 1989, the Indira Gandhi National Integration Award in 2004 and was awarded the most prestigious Dada Saheb Phalke Award by the Indian government in 2007 for his outstanding contribution to Indian cinema.

Raghav Bahl
aged 47 years

Mr. Bahl has over 22 years' experience in entertainment, media and journalism. He began his career in media in 1985 as a correspondent and anchorperson for Doordarshan, the Indian state owned national broadcaster. He was the anchorperson and production consultant for India's first monthly video news magazine, Newstrack, produced by the India Today group. From 1991 to 1993 he was executive director of Business India Television and produced the Business India Show and Business A.M. on Doordarshan. He was the winner of the Sanskriti Award for Journalism in 1994 and has written articles for The Times of India, The Statesman and The Pioneer. Mr. Bahl is a member of the World Economic Forum and is the founder and majority shareholder of Network 18, a highly respected media conglomerate. Network 18 Group has joint ventures with CNN, CNBC and others, and Network 18 Group broadcasts five 24-hour news channels in India and employs more than 2,500 media professionals across India. In 2007, Mr. Bahl was ranked by one of India's leading magazines, India Today, as the 15th most powerful man in India. Mr. Bahl was also named the Business Transformation Entrepreneur for the Year 2007 by Ernst & Young.

Lord Meghnad Desai
aged 67 years

Lord Desai, who holds a doctorate from the University of Pennsylvania, started his professional career in the Department of Agricultural Economics, University of California, in 1963. In 1965, he was appointed as a lecturer of economics at the London School of Economics and became a professor in 1983, a post he held until 2003. During this time he founded the Centre for the Study of Global Governance. Lord Desai is a recipient of several Honorary Degrees from universities such as Kingston, Middlesex, East London, London Guildhall and Monash University, Australia. He was created Lord Desai of St Clement Danes in 1991 and was awarded PADMABHUSHAN in 2007, Pravasi Bharatiya Puraskar (Distinguished Overseas Indian Award) in January 2004 and Bharat Gaurav by the Indian Merchants Chambers in 2002. Lord Desai was made an Honorary Fellow of the London School of Economics in July 2005. He has also published a book on the Bollywood film industry.

Alok Verma
aged 53 years

Mr. Verma is a Senior Partner of Sedley Richards Laurence Voulters and is a Chartered Accountant by profession. Mr. Verma is a specialist in finance and corporate advisory work, including pre- and post-acquisition investigations, management buyouts, business start-ups, share valuation, transaction support and national and international group re-structuring. He was previously with Casson Beckman (now BakerTilly) where he worked mainly in audit and corporate finance.

Peter Radford
aged 51 years

Mr. Radford was appointed managing director of Bordeaux Services Limited on its incorporation in 1997. Mr. Radford started his career with BDO Reads in 1978 and subsequently worked for Executive Management Trust in Amsterdam between 1981 and 1983 and Fisher Hoffman Stride in Johannesburg between 1983 and 1986. From 1986 to 1991 Mr. Radford was Managing Director of the Abroad Spectrum Group based in Durban, South Africa. In 1991 he returned to Guernsey to develop the fund administration and asset management business of the Havelet Trust Group. Mr. Radford holds a number of directorships within a range of Guernsey-based mutual fund companies and investment companies. He is a Fellow of the Institute of Chartered Accountants in England and Wales, the South African Institute of Chartered Accountants, the Securities and Investment Institute and the Society of Trust and Estate Practitioners. He is a resident of Guernsey.

Investment Manager – key personnel

Raghav Bahl *(Non-executive Director)* aged 47 years

For Mr. Bahl's biography, please see the Directors section on page 12.

Tsang Fan Hin Tsang Mang Kin *(Non-executive Director)*, aged 70 years

Mr. Tsang Mang Kin is currently chairman of King Group which includes London Satellite Systems, a leading broadcaster in Mauritius which broadcasts Indian, Chinese, Pakistani, Middle Eastern and European channels. He was a member of parliament and a prominent member of the political establishment in Mauritius for ten years during which time he was a government minister of key portfolios such as Public Affairs and Arts, Culture and Leisure. He was the deputy director of the Commonwealth Foundation in London between 1983 and 1990 and has been involved with several Commonwealth initiatives. His diplomatic career spanned from 1968 to 1990, during which time he was posted in Paris and Brussels and served as the Minister-Counsellor of External Affairs. Mr. Tsang Mang Kin has a degree from the University of London.

Vivek Chadha *(Non-executive Director)* aged 54 years

Mr. Chadha is currently managing director of Chadbro (Mauritius) Limited, a management consultancy firm, which advises media companies in Mauritius. He was formerly the chairman, managing director and chief executive of the Union International Bank Limited in Mauritius and has also served as chief executive of Fairtrade Resources in Singapore. He was previously General Manager of MRC Wire Products Limited. He has a keen interest in the Indian film industry and has good contacts with Mauritius and Indian institutions. Mr. Chadha has a degree from the Sri Ram College of Commerce at Delhi University.

Nicholas Meyer *(Non-executive Director)* aged 39 years

Mr. Meyer is co-president of Paramount Vantage and oversees divisions including finance, operations, acquisitions and both domestic and international distribution. Prior to that, Mr. Meyer served as president of Lionsgate International, overseeing the international operations for the company. Prior to Lionsgate, Mr. Meyer spent over five years at Sony Pictures Entertainment. He began at Sony Pictures Classics and later served as director of worldwide sales and acquisitions for Columbia Tri-Star Motion Picture Group. Mr. Meyer is a graduate of Wesleyan University with a Bachelor of Arts in Romance Languages and Literatures. He received his Master of Arts in French from Middlebury College. He is on the board of directors for the Independent Film & Television Alliance.

Amit Jain *(Non-executive Director)* aged 44 years

Mr. Jain is currently managing director of MTV Networks India Private Limited. Prior to joining MTV, Mr. Jain spent ten years and held various positions at Coca-Cola India. Mr. Jain has an MBA from Faculty of Management Studies, India with a specialisation in marketing.

Haresh Chawla *(Non-executive Director)* aged 40 years

Mr. Chawla is Group CEO of Network 18. Mr. Chawla has been in this position since December 1999, when he joined Network 18. Under his leadership and guidance, Network 18 has been transformed from a production house to India's number one news network with flagship channels being CNBC TV18, CNBC Awaaz, CNN IBN and IBN7. Mr. Chawla's previous assignments have all been with start-ups including the Times of India Group where he launched their music label – Times Music, ABCL and the HCL Group. Mr. Chawla has an MBA from the Indian Institute of Management, Calcutta.

Sanjeev Manchanda *(Non-executive Director)* aged 51 years

Mr. Manchanda is an advisor to companies in the entertainment & media sector, providing strategic advice on business plans and strategies, corporate finance, and transition during growth cycles. Mr. Manchanda is also an investment banker on fundraising through private equity, arrangement of debt, IPOs and on M&As in media and other sectors. Mr. Manchanda is a qualified Chartered Accountant and a graduate in Economics from St. Stephens College, University of Delhi.

Investment Adviser – key personnel

Sandeep Bhargava *(Chief Executive Officer)*
aged 41 years

Mr. Bhargava was, until recently, the chief executive officer of Studio 18 and has over seventeen years experience in advertising and film production. Before joining Studio 18 he was chief operating officer of Sahara One Motion Pictures, where he was involved in the release of over 28 films in India, with a total investment of approximately £22 million. The portfolio of movies produced under his supervision includes both commercially and critically successful movies which have won five national awards. Prior to joining Sahara One, Mr. Bhargava was the chief operating officer of UTV, during which time he led multiple strategic business units such as Airtime Sales Syndication, Advertisement Film Production, Dubbing and Post Production. Mr. Bhargava started his career in leading advertising agencies and handled top multinational and Indian brands such as 555, Benson & Hedges, Coca-Cola, Lafarge Cement, Lever, Hutch, Reliance Infocom and Tata Steel. Mr. Bhargava has an MBA in Marketing & International Business from the University of Akron, USA.

Sanjay Ray Chaudhuri *(Non-executive Director)*
aged 42 years

Mr. Chaudhuri started his career as an independent documentary film-maker for Doordarshan. He went on to direct and present India's first indigenously produced show for satellite television, The India Show. He received the Onida Pinnacle Award for Excellence in Television in 1995. In a television career spanning ten years Mr. Chaudhuri has directed music videos, corporate films, advertising films, chat shows, game-shows and business shows. Mr. Chaudhuri is a director of both Network 18 and TV 18. Mr. Chaudhuri graduated in B.A. Hons (English) from St. Stephens College, University of Delhi and received a Masters Degree in Mass Communications from the Mass Communications Research Centre.

Priti Pradeep Shahani
(Senior Vice President Marketing, Domestic Distribution and Syndication)
aged 38 years

Ms. Shahani has fifteen years of experience in acquisitions, syndication, sales and marketing across the film, media, entertainment and hospitality industries. Before joining the Investment Adviser, she was the Head of Marketing of Sahara One Motion Pictures, where she was instrumental in creating brand awareness of the organisation. Ms. Shahani has marketed a number of commercially successful Hindi films. Prior to joining Sahara One, Ms. Shahani co-founded Hungama, a leading entertainment portal, and started her career in sales and marketing at Taj Hotels, after completing a Commerce degree from Mumbai University.

Manish Thukral *(Chief Financial Officer)*
aged 42 years

Mr. Thukral joined as the Chief Financial Officer of the Investment Adviser in September 2007. Mr Thukral has over sixteen years of experience in the areas of Strategic Planning, Budgeting, Forecasting, Corporate Accounting and Fundraising. Prior to joining, Mr. Thukral worked with Tata Sky and Pepsi Foods. Mr. Thukral is a qualified Chartered Accountant and a graduate in Commerce from Sri Ram College of Commerce, Delhi University.

Ruchi Mohan *(Senior Manager Strategy)*
aged 27 years

Ms. Mohan joined the Investment Adviser as Senior Manager for Strategy in August 2007. Prior to joining, Ms. Mohan was an investment banker at Bank of America and also worked with XO Communications and UTV. Ms. Mohan has an MBA with dual specialisation in Finance and Marketing and is a graduate in Journalism.

Tripur Singh *(Associate Vice President – Legal)*
aged 33 years

Mr. Singh joined the Investment Adviser in December 2007 as Associate Vice President – Legal. Mr Singh has over eleven years of experience in the area of inbound and outbound foreign direct investment. Prior to joining, Mr. Singh was head of the legal department with Astro Group, a listed entity and Asia's leading media company based in Malaysia, where he was instrumental in providing legal support to the group's activities in India. He is a law graduate of the Government Law College, Mumbai and a member of the bar of the Supreme Court of India and the bar Council of Maharashtra and Goa.

REPORT
of the Directors

Shahid Kapoor and Kareena Kapoor in Jab We Met

The Directors present their report and the consolidated financial statements of The Indian Film Company Limited (the "Company") and its Subsidiaries, The Indian Film Company (Cyprus) Limited and IFC Distribution Private Limited (collectively the "Group") for the period ended 31 March 2008.

Status and activities

The Company was incorporated on 4 April 2007 as a closed-ended investment company registered under the provisions of The Companies (Guernsey) Law, 1994, as amended. On 18 June 2007, the Company raised gross proceeds of £55 million (net proceeds of £52.78 million) through the issue of 55 million Ordinary Shares of no par value at 100.00 pence each, with the Company's Ordinary Shares being admitted to trading on AIM, a market operated by the London Stock Exchange.

The Group seeks to invest in films where the Group retains full ownership of all Intellectual Property Rights ("IPR") relating to each film, although ownership may be shared with co-producers, directors and actors where necessary. The broad objective of the Group is to build a film library of IPR. These acquired rights will be exploited worldwide and across various platforms, such as theatrical, music, home video, satellite and all other existing or yet to be invented medium, including, but not limited to, websites, publishing, gaming and merchandising. The Group may also sell rights for films prior to their release where it is in the commercial interest of the Group, although it is not the Group's intention to trade in film rights. The Directors and the Investment Manager believe that the Group is well placed to continue to take advantage of film investment opportunities and continue to capitalise on the phase of growth that the Indian film industry is currently experiencing.

Review of developments

Revenue

The Consolidated Income Statement on page 26 shows a net profit for the period of £1.96 million.

Dividends

The Company did not pay any dividends in the period under review and the Directors do not propose a final dividend.

Net assets

As at 31 March 2008, the Group's consolidated net asset value was £54.77 million and the net asset value per Ordinary Share was 99.59p.

Intangible assets

Film rights

The carrying value of the Group's investments (valued at cost less accumulated amortisation and any provision for impairment) as at 31 March 2008 was £31.39 million (see note 12).

Material contracts

In addition to acquisition, co-production and talent contracts, the Company's material contracts are with Film Investment Managers (Mauritius) Limited (the "Investment Manager") (formerly known as BK Enterprises Limited), which acts as Investment Manager, India International Film Advisors Private Limited (the "Investment Adviser") (formerly known as RB Fincap Private Limited), which acts as Investment Adviser, Elysium Fund Management Limited (the "Administrator"), which acts as Administrator and Secretary, Grant Thornton UK LLP, which acts as Nominated Adviser, Collins Stewart (CI) Limited, which acts as Custodian, Elara Capital plc and Oriel Securities Limited, as Joint Brokers, and Capita Registrars (Guernsey) Limited, which acts as Registrar.

Management

The Investment Manager has sole responsibility to manage and advise the Group as to the management and investment and re-investment of the assets of the Group and to monitor the performance and operation of the assets within the portfolio, subject always to the overall policies, direction and control of the Board and in accordance with the investment policy and investment restrictions, as disclosed in the Admission Document.

Under the provisions of the Investment Management Agreement, the Investment Manager has appointed India International Film Advisors Private Limited as the Investment Adviser to provide non-binding advice on the investment opportunities in the film industry in India. The Investment Manager is responsible for ensuring that the Investment Adviser acts in accordance with the policies laid down by the Directors and in accordance with the investment restrictions referred to in the Investment Management Agreement and for the payment of fees to the Investment Adviser. Under the Investment Management Agreement, the Investment Manager is entitled to receive a quarterly management fee and an annual performance fee, details of which are disclosed in note 5.

Appointment of the Investment Manager

The Directors believe that the Investment Manager performed creditably in the period ended 31 March 2008.

In the opinion of the Directors, it is in the interests of Shareholders as a whole to retain the services of the Investment Manager.

Taxation

The Company has been granted exemption from Guernsey taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £600. The Directors intend to conduct the Company's affairs such that it continues to remain eligible for exemption from Guernsey tax. The Company's Cyprus Subsidiary is charged tax on income at the rate of 10%. The Company's Indian Subsidiary is charged tax on income at the rate of 33.99%.

Revenue is recorded gross of applicable taxes but net of indirect taxes, such as VAT. Direct tax expense is recognised through the Consolidated Income Statement as incurred and indirect taxes are included in the Consolidated Balance Sheet as payable to or due from the government.

Mallika Sherawat in Welcome

Future prospects

The Board and the Investment Manager are pleased with the rate at which film projects have been entered into in the initial period of the Company's life and believe that the Company will continue to meet its investment objective. Further details are given in the Chairman's Statement and the Investment Manager's Report.

Directors

The present members of the Board are listed on pages 12 and the inside back cover.

As at 31 March 2008, the Directors' interests in the Ordinary Share capital of the Company were as follows:

	Ordinary Shares
Shyam Benegal *(Chairman)*	–
Raghav Bahl	11,900,000
Lord Meghnad Desai	–
Alok Verma	–
Peter Radford	10,000

There were no changes in the interests of the Directors between 31 March 2008 and the signing of this report.

There are no service contracts in place between the Company and the Directors.

Significant Shareholders

As at 30 June 2008 the Company had been notified of the following significant Shareholders:

Shareholder	*Number of Ordinary Shares*	*Percentage of Ordinary Share capital*
Raghav Bahl[1]	11,900,000	21.64%
Elara Capital	6,281,000	11.42%
HSBC Investments Singapore	5,010,000	9.11%
Dundee Leeds Management	5,000,000	9.09%
Kelusa Master Fund	3,500,000	6.36%
BlackRock Merrill Lynch Investment Managers	3,400,000	6.18%
Viacom Brand Solutions	2,500,000	4.55%

(1) Raghav Bahl is a Director of the Company and a director and substantial shareholder of both Network 18 Media and Investment Limited (formerly known as Network 18 Fincap Limited) and BK Media Mauritius Private Limited, which hold 10,000,000 Ordinary Shares and 1,900,000 Ordinary Shares in the Company respectively.

Report of the Directors continued

Authority to buy back Ordinary Shares

The Company has authority to make market purchases of up to 14.99% of its issued Ordinary Share capital. The Board will seek to renew such authority at the forthcoming Annual General Meeting of the Company. By renewing this authority, your Board is seeking to retain the ability to exert a positive influence, as and when deemed appropriate, over the level of discount to net asset value, at which the Ordinary Shares trade.

Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Ordinary Shares repurchased may be held in Treasury.

Corporate Governance

As a Guernsey incorporated company and under the AIM Rules for companies, the Company is not required to comply with the Combined Code published by the Financial Reporting Council (the "2006 FRC Code"). The Board has however put in place a framework for corporate governance which it believes is suitable for the Company and which enables the Company to voluntarily comply with the main requirements of the 2006 FRC Code, which sets out principles of good governance and a code of best practice.

The Board considers that the Company has complied with the provisions contained within the 2006 FRC Code throughout this accounting period, except where indicated below. The following statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of five non-executive Directors, four of whom are independent. Raghav Bahl is not considered to be independent due to his significant shareholding and his position as a director of the Investment Manager. As the Chairman of the Board is an independent non-executive Director, the Board does not consider it necessary to appoint a senior independent director.

The Company has no executive directors and no employees. However, the Board has engaged external companies to undertake the management, advisory, administrative and custodial activities of the Company and the production of the annual report and financial statements which are independently audited. Clear documented contractual arrangements are in place between these firms that define the areas where the Board has delegated responsibility to them. Whilst the Board delegates responsibility, it retains accountability for the functions it delegates and is responsible for the systems of internal control.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Investment Manager, Investment Adviser, Nominated Adviser and the Administrator. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company and that should be brought to the attention of the Directors. The Directors also have access where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new appointment of a Director to the Board, consideration will be given as to whether a formal induction process is appropriate.

The Board considers agenda items laid out in the notice and agenda which are formally circulated to the Board in advance of a meeting as part of the Board papers and, therefore, Directors may request any agenda items to be added that they consider appropriate for Board discussion. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

The Board evaluates its own performance and considers the tenure of each Director on an annual basis and believes that the mix of skills, experience, ages and length of service are appropriate to the requirements of the Company.

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance is unavoidable in certain circumstances. The table below details the number of formal meetings attended by each Director in the period.

	Board meetings	Audit Committee meetings
Shyam Benegal (Chairman)	3/7	1/1
Raghav Bahl	5/7	n/a
Lord Meghnad Desai	2/7	0/1
Alok Verma	6/7	1/1
Peter Radford	7/7	1/1

1	2

1. Kareena Kapoor and Shahid Kapoor in Jab We Met
2. Amitabh Bachchan, Aman and kids in Bhoothmath

Katrina Kaif in Singh is Kinng

Committees of the Board

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised wholly of non-executive Directors, the whole Board considers these matters.

Audit Committee

An Audit Committee has been established with Alok Verma as its Chairman, and comprises all the independent Directors. The Audit Committee examines the effectiveness of the Group's internal control systems, the annual report and accounts, the interim report and accounts, the auditors' remuneration and engagement, as well as the auditors' independence and any non-audit services provided by them. The Audit Committee receives information from the Investment Manager, Investment Adviser, Administrator and the external auditors. The Audit Committee meets at least twice a year to review the annual accounts, interim accounts and audit timetable and other risk management and governance matters. A copy of the Audit Committee Terms of Reference is available to Shareholders upon request from the Administrator.

Internal controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place for the period under review and up to the date of approval of this annual report and consolidated financial statements. In line with general market practice for investment companies, the Directors do not conduct a formal annual review of internal controls. However, the Board does conduct an annual review of the financial reporting procedures and corporate governance controls and feels that the procedures employed by the service providers adequately mitigate the risks to which the Group is exposed.

The key procedures which have been established to provide effective internal controls are as follows:

- The Administrator is responsible for the provision of administration and company secretarial duties
- The duties of the Investment Manager, the Investment Adviser and the custody of assets are segregated. The procedures are designed to complement one another
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts
- The Board reviews financial information produced by the Investment Manager and the Administrator on a regular basis
- The Group does not have an internal audit department. All of the Group's management functions are delegated to independent third parties and it is therefore felt that there is no need for the Group to have an internal audit facility
- On an ongoing basis, compliance reports are provided at each Board meeting from the Custodian.

The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Dialogue with Shareholders

The Directors are always available to enter into dialogue with Shareholders. All Ordinary Shareholders will have the opportunity, and indeed are encouraged, to attend and vote at the Annual General Meeting during which the Board and the Investment Manager will be available to discuss issues affecting the Company. The Board stays abreast of Shareholders' views via regular updates from the Investment Manager and Joint Brokers as to meetings they have held with Shareholders.

Litigation

The Group is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Group.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Payment to creditors

Amounts due to suppliers and service providers are settled promptly within the terms of the contract, except in cases of dispute.

Financial risk profile

The Group's assets comprise investments, cash, loans and various items such as receivables and payables that arise directly from the Group's operations. The main purpose of these assets is the investment of Shareholders' funds.

The main risks are market, liquidity, foreign exchange, interest rate and credit risks. Further details are given in note 23 to the consolidated financial statements.

Auditors

Ernst & Young LLP has expressed its willingness to continue to act as Auditors. A resolution for its re-appointment will be proposed at the Company's forthcoming Annual General Meeting.

Report of the Directors continued

Directors' responsibilities

The Directors are responsible for preparing consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the returns achieved by the Group for that period and are in accordance with applicable laws and regulations. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the requirements of The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement

So far as each of the Directors are aware, there is no relevant audit information of which the Auditors are unaware and each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Auditors are aware of that information.

On behalf of the Board

Shyam Benegal
Director
1 July 2008

Alok Verma
Director
1 July 2008

Akshay Kumar and Katrina Kaif in Singh is Kinng

Independent Auditor's Report

To the Members of The Indian Film Company Limited

We have audited the consolidated financial statements (the "financial statements") of The Indian Film Company Limited (the "Company") for the period ended 31 March 2008 which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994, as amended. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable Guernsey Law and International Financial Reporting Standards as set out in the Statement of Directors' Responsibilities on page 24.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994, as amended. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Investment Objective, Operational Strategy, Chairman's Statement, Investment Manager's Report and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of affairs of the Group as at 31 March 2008 and of its profit for the period then ended, and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994, as amended.

Ernst & Young LLP

Guernsey

18 July 2008

Consolidated Income Statement

for the period from 4 April 2007 to 31 March 2008

	Note	4 April 2007 to 31 March 2008 £'000
Income		
Revenue	*3*	11,447
Cost of sales	*4*	(9,177)
Gross profit		**2,270**
Expenses		
Management fees	*5*	(829)
Net foreign exchange losses		(296)
Other expenses	*7*	(536)
Operating profit before interest and tax		**609**
Finance cost	*8*	(48)
Finance income	*9*	1,622
Operating profit before tax		**2,183**
Corporate income tax expense	*10*	(224)
Net profit for the period		**1,959**
Earnings per Ordinary Share:		
basic and fully diluted	*11*	**3.56p**

Consolidated Statement of Changes in Equity

for the period from 4 April 2007 to 31 March 2008

	Note	Share capital £'000	Share premium £'000	Distributable reserve £'000	Foreign exchange translation reserve £'000	Total £'000
At 4 April 2007		–	–	–	–	–
Gross proceeds of Placing	*19*	–	55,000	–	–	55,000
Issue costs		–	(2,217)	–	–	(2,217)
Cancellation of share premium	*20*	–	(52,783)	52,783	–	–
Net profit for the period		–	–	1,959	–	1,959
Foreign exchange movement		–	–	–	30	30
At 31 March 2008		**–**	**–**	**54,742**	**30**	**54,772**

The accompanying notes on pages 31 to 52 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 March 2008

	Note	31 March 2008 £'000
Non-current assets		
Exploitation rights	*12*	5,254
Investments in films and films under production	*12*	26,133
Term deposit	*13*	2,270
		33,657
Current assets		
Trade and other receivables	*15*	3,287
Prepayments		145
Cash and cash equivalents	*16*	19,349
		22,781
Total assets		**56,438**
Current liabilities		
Trade and other payables	*17*	(557)
Secured loan	*18*	(1,109)
Total liabilities		**(1,666)**
Net assets		**54,772**
Capital and reserves		
Called-up share capital (no par value)	*19*	–
Share premium	*20*	–
Distributable reserve		54,742
Foreign exchange translation reserve		30
Total equity Shareholders' funds		**54,772**
Net asset value per Ordinary Share:		
basic and fully diluted	*21*	**99.59p**

The financial statements on pages 26 to 52 were approved by the Board of Directors on 1 July 2008 and were signed on its behalf by:

Shyam Benegal	Alok Verma
Director	*Director*
1 July 2008	1 July 2008

The accompanying notes on pages 31 to 52 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the period from 4 April 2007 to 31 March 2008

	Note	4 April 2007 to 31 March 2008 £'000
Operating activities		
Net profit for the period		1,959
Adjustments for:		
Finance cost		48
Finance income		(1,622)
Corporate income tax expense		224
Net cash inflow from operating activities before working capital changes		**609**
Increase in trade and other receivables		(3,263)
Increase in prepayments		(145)
Increase in trade and other payables		333
Amortisation of intangible assets		5,112
Provision for bad debts		6
Net cash inflow from operating activities		**2,652**
Corporate income tax paid		(234)
Net cash inflow from operating activities		**2,418**
Investing activities		
Payments for film projects and films under production		(25,908)
Payments for exploitation rights		(10,366)
Interest received		1,601
Net cash outflow from investing activities		**(34,673)**
Financing activities		
Proceeds from Placing	*19*	55,000
Formation expenses paid		(2,217)
Proceeds from borrowings	*18*	2,180
Repayment of loans	*18*	(1,071)
Interest paid		(48)
Payment for term deposit	*13*	(2,270)
Net cash inflow from financing activities		**51,574**
Increase in cash and cash equivalents		**19,319**
Cash and cash equivalents at beginning of period		–
Increase in cash and cash equivalents		19,319
Effect of exchange rates on cash and cash equivalents		30
Cash and cash equivalents at end of period	*16*	**19,349**

The accompanying notes on pages 31 to 52 form an integral part of these consolidated financial statements.

Company Balance Sheet

as at 31 March 2008

	Note	31 March 2008 £'000
Non-current assets		
Investment in Subsidiary undertakings	*14*	33,100
Term deposit	*13*	2,270
		35,370
Current assets		
Other receivables	*15*	32
Cash and cash equivalents	*16*	17,931
		17,963
Total assets		**53,333**
Current liabilities		
Trade and other payables	*17*	(80)
Net assets		**53,253**
Capital and reserves		
Called-up share capital (no par value)	*19*	–
Share premium	*20*	–
Distributable reserve		53,253
Total equity Shareholders' funds		**53,253**

Shyam Benegal
Director
1 July 2008

Alok Verma
Director
1 July 2008

Notes to the Consolidated Financial Statements

for the period from 4 April 2007 to 31 March 2008

1. General information

The Indian Film Company Limited (the "Company") is a closed-ended investment company domiciled and incorporated as a limited liability company under the Laws of Guernsey. The Company's Ordinary Shares are traded on AIM, a market operated by the London Stock Exchange.

The Group (The Indian Film Company Limited and its Subsidiaries) seeks to invest in films where the Group retains full ownership of all Intellectual Property Rights ("IPR") relating to each film, although ownership may be shared with co-producers, directors and actors where necessary. The broad objective of the Group is to build a film library of IPR. These acquired rights will be exploited worldwide and across various platforms, such as theatrical, music, home video, satellite and all other existing or yet to be invented medium, including, but not limited to, websites, publishing, gaming and merchandising. The Group may also sell rights for films prior to their release where it is in the commercial interest of the Group, although it is not the Group's intention to trade in film rights. The Directors and the Investment Manager believe that the Group is well placed to take advantage of film investment opportunities and to capitalise on the growth that the Indian film industry is currently experiencing.

The consolidated financial statements were authorised for issuance on 1 July 2008.

2. Significant accounting policies

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and applicable requirements of Guernsey Law and reflect the following accounting policies, which have been adopted and applied consistently by the Group throughout the period.

The consolidated financial statements have been prepared on a historical cost basis. The presentational currency of these consolidated financial statements is Pounds Sterling ("Sterling" or "GBP"). The consolidated financial statements are rounded to the nearest thousand Pounds.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Details of accounting estimates and judgments that have the most significant effect on the amounts recognised in the financial statements have been disclosed under the relevant note or accounting policy for each area where disclosure is required.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2(k) and note 23.

2. Significant accounting policies (continued)

b) New standards and interpretations

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards/International Financial Reporting Standards (IAS/IFRS)		*Effective date*
IAS 1 (revised)	Presentation of Financial Statements (revised 2007 and 2008)	1 January 2009
IAS 16	Property, Plant and Equipment (revised May 2008)	1 January 2009
IAS 19	Employee Benefits (revised May 2008)	1 January 2009
IAS 20	Government Grants and Disclosures of Government Assistance (revised May 2008)	1 January 2009
IAS 23	Borrowing Costs (revised 2007 and May 2008)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 January 2009 and 1 July 2009
IAS 28	Investments in Associates (revised 2008)	1 January 2009 and 1 July 2009
IAS 29	Financial Reporting in Hyperinflationary Economies (revised May 2008)	1 January 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 January 2009 and 1 July 2009
IAS 32	Financial Instruments: Presentation (revised 2008)	1 January 2009
IAS 36	Impairment of Assets (revised May 2008)	1 January 2009
IAS 38	Intangible Assets (revised May 2008)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised May 2008)	1 January 2009
IAS 40	Investment Property (revised May 2008)	1 January 2009
IAS 41	Agriculture (revised May 2008)	1 January 2009
IFRS 1	First time Adoption of International Financial Reporting Standards (revised May 2008)	1 January 2009
IFRS 2	Share-based Payment (revised 2008)	1 January 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 5	Non current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
International Financial Interpretations Committee (IFRIC)		
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Directors have chosen not to early adopt the above standards and interpretations as it is anticipated that these will not have any impact on the financial position or the financial performance of the Group.

c) Basis of consolidation

The Group consolidates the financial statements of the Company and its Subsidiary undertakings drawn up to 31 March 2008. The results of the Subsidiary undertakings are accounted for in the Consolidated Income Statement from the effective date of acquisition.

Subsidiaries are those entities, including special purpose vehicles, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The cost of investment in a subsidiary is eliminated against the Company's share in net assets at the date of acquisition. All intercompany receivables, payables, income and expenses are eliminated. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The consolidated financial statements incorporate the net assets and liabilities of the Company and its Subsidiaries as at the Balance Sheet date and their results for the period then ended. All intercompany balances and transactions are eliminated.

d) Foreign currency translations

The Company's functional currency is deemed to be Sterling as the funds were raised in Sterling and the Ordinary Shares are denominated in Sterling. Sterling is also the presentational currency of these consolidated financial statements.

Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each Balance Sheet date, monetary items and non-monetary assets and liabilities, which are denominated in foreign currencies, are retranslated at the closing rates of exchange to Sterling.

Exchange differences arising on settlement of monetary and non-monetary items are included in the Consolidated Income Statement.

e) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to Sterling at the foreign exchange rates ruling at the Balance Sheet date. The income and expenses of foreign operations are translated into Sterling at rates approximating to the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on retranslation are recognised as a separate component of equity.

f) Revenue recognition

The Company recognises revenues from the licensing of film rights. Revenues are recognised, net of all indirect taxes, when it is probable that future economic benefits will be obtained by the Group, when these revenues can be reliably measured and once the following criteria are met:

- on delivery of the film;
- on the agreement for sale or licensing of the film;
- on commencement of the license to exploit;
- on a fixed agreed fee; and
- where collection of income is assured.

The following additional criteria apply in respect of these revenue streams:

- Theatrical – revenue is recognised in accordance with the licensing agreement as the films are screened and is stated at the minimum guarantee due, where applicable, plus the Group's share of box office receipts in excess of the minimum guarantee;

2. Significant accounting policies (continued)

f) Revenue recognition (continued)

- Music and home video – in the case of the sale of rights, revenue is stated at the minimum guaranteed revenue due, plus the Group's share in any overflow. Home video product revenues, less a provision for estimated returns and rebates, are recognised upon shipment. In the case of the in-house distribution of DVDs/VCDs, revenue is recognised on delivery;
- Satellite/television broadcasting – revenue is recognised in accordance with the licensing arrangements when the Group has no remaining obligations to perform and all other conditions for sale have been met and is recognised on the first day of commencement of the license period for the exploitation of such right;
- Sale of film rights – where film rights are sold prior to film release, revenue is recognised on the execution of the agreement for the transfer of such rights.

g) Expenses

All expenses are accounted for on an accruals basis. The Group's investment management and administration fees, and all other expenses (with the exception of share issue costs, which were charged directly to the share premium account) are charged through the Consolidated Income Statement in the period in which they are incurred.

h) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits at banks and the Custodian.

i) Intangible assets

Investment in films and associated rights, including acquired rights in respect of released films are stated at cost less accumulated amortisation and any provision for impairment. All intangible assets are deemed to have finite useful lives.

j) Investment in films and films under production

Amounts are paid to producers for the acquisition of rights in film projects. The Company also makes payments to hire key talent for the production of its own films, with such payments reflected as non-current assets. Amounts due to these producers or key talents in accordance with their contracts but that are not due for payment as at the Balance Sheet date are disclosed as outstanding capital commitments.

Work in progress in relation to films under production is carried at cost including appropriate labour costs and other overheads. Where applicable, directly attributable financial costs are also included.

k) Amortisation of film costs and impairment of intangible assets

The Company amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. The amortisation charge is included under cost of sales in the Consolidated Income Statement.

The assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication of impairment exists, the Group makes an estimate of its recoverable amount.

l) Trade and other receivables

Trade and other receivables are carried at the lower of their original invoiced amount and recoverable amount, after adjusting for doubtful receivables. Provision is made when there is objective evidence that the Group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

m) Trade payables and accruals

Trade and other payables are carried at payment or settlement amounts.

n) Non-current liabilities

All loans and borrowings are recognised at cost, being the fair value of the consideration received. After initial recognition, all floating-rate interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

o) Taxation

Revenue is recorded gross of applicable taxes but net of indirect taxes, such as VAT. Direct tax expense is recognised through the Consolidated Income Statement as incurred and indirect taxes are included in the Consolidated Balance Sheet as payable to or due from the government.

p) Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available in the foreseeable future against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the relevant tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Balance Sheet date.

q) Reserves

The net profit of the Group is allocated to the distributable reserve. Foreign exchange gains and losses arising on the translation and consolidation of foreign companies' financial statements are allocated to the foreign exchange translation reserve.

r) Share issue expenses

The expenses incurred in relation to the issue of the Ordinary Shares were written off in full against the share premium account.

s) Share capital

Funds received from the issue of Ordinary Shares are allocated to the share capital, to the extent that they relate to the par value of the Ordinary Shares, with any excess being allocated to the share premium account.

t) Post Balance Sheet events

Post Balance Sheet events that provide additional information about the Group's position at the Balance Sheet date (adjusting events) are reflected in the financial statements. Post Balance Sheet events that are not adjusting events are disclosed in the notes to the financial statements when material.

2. Significant accounting policies (continued)

u) Net asset value per share and earnings per share

The net asset value per share disclosed on the face of the Consolidated Balance Sheet is calculated by dividing the net assets by the number of Ordinary Shares in issue at the period end.

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of Ordinary Shares in issue during the period.

3. Revenue

	4 April 2007 to 31 March 2008 £'000
Licensing and sale of film rights	11,447

4. Cost of sales

	4 April 2007 to 31 March 2008 £'000
Amortisation	5,112
Advertisement	909
Costs of films sold	2,629
Other cost of sales	527
	9,177

5. Management and administration fees

In consideration for its services under the Investment Management Agreement, the Company shall pay to Film Investment Managers (Mauritius) Limited (formerly known as BK Enterprises Limited) (the "Investment Manager") a management fee of 2.00% per annum of the opening net asset value ("NAV") for the relevant year, payable quarterly in advance in Sterling. In respect of the first financial period of the Company, the opening NAV is defined as the net proceeds raised by the Company from the Placing.

In addition to the management fee described above, the Investment Manager is also entitled to receive from the Company a performance fee, calculated and payable after the end of each performance fee period, equal to 20.00% of any excess of the net profit after tax (after adding back (i) any liability to the Company or the Group in respect of such performance fee for that period and (ii) any amounts paid or payable to Shareholders (in their capacities as such) in respect of that period where the effect of such payment would reduce the Company's net profit after tax for that period) as at the end of each performance fee period over the benchmark (as defined below). Any performance fee shall be payable within 14 days of the end of the relevant performance fee period in Sterling.

The benchmark shall be an amount equal to the opening NAV for that period multiplied by 10.00% per annum provided always that no performance fee shall be payable to the Investment Manager in respect of a performance fee period unless at the end of that period the excess of the net profit after tax after adding back the items referred to above, over the benchmark is sufficiently great so as to ensure that any previous deficits (as defined below) have been eliminated. For these purposes a deficit shall be an amount, on a pound for pound basis, by which the net profit after tax (after adding back the items referred to above) for a particular period fails to exceed the benchmark for that period and has not been subsequently eliminated.

The first performance fee period commenced on Admission on 18 June 2007 and ended on 31 March 2008. Each subsequent performance fee period shall commence on 1 April and terminate on 31 March in the following year.

No performance fee was payable to the Investment Manager in respect of the period ended 31 March 2008.

Under the provisions of the Investment Management Agreement, the Investment Manager has appointed India International Film Advisors Private Limited (formerly known as RB Fincap Private Limited) as the Investment Adviser to provide non-binding advice on the investment opportunities in the film industry in India. The Investment Manager is responsible for ensuring that the Investment Adviser acts in accordance with the policies laid down by the Directors and in accordance with the investment restrictions referred to in the Investment Management Agreement and for the payment of fees to the Investment Adviser.

In its capacity as Administrator, Elysium Fund Management Limited is entitled to an annual fee in the first year from Admission on 18 June 2007 of £80,000 payable quarterly in arrears. This fee is set to rise to £90,000 per annum in the Company's second year, and £100,000 per annum in the Company's third year.

During the period a total of £892,190 was incurred in respect of Management and Administration fees split into £829,341 and £62,849 respectively.

A total of £20,000 was payable at the period end in respect of Management and Administration fees split in the amounts of nil and £20,000 respectively.

6. Directors' fees

	4 April 2007 to 31 March 2008 £'000
Shyam Benegal *(Chairman)*	20
Raghav Bahl[1]	–
Lord Meghnad Desai	15
Alok Verma	15
Peter Radford	14
	64

No bonuses or pension contributions were paid or were payable on behalf of the Directors. All Directors were appointed as Directors of the Company on 4 April 2007, with the exception of Peter Radford who was appointed on 19 April 2007.

[1] Raghav Bahl has agreed to waive any entitlement to a director's fee from the Company as he is a director of Film Investment Managers (Mauritius) Limited, the Company's Investment Manager.

Details of the Directors' interests in the Ordinary Share capital are set out in the Report of the Directors on page 19.

7. Other expenses

	4 April 2007 to 31 March 2008 £'000
Professional fees	151
Directors fees (note 6)	64
Administration fee (note 5)	63
Audit fees	63
Broker fees	32
Nominated Adviser fees	20
Other expenses	143
	536

8. Finance costs

	4 April 2007 to 31 March 2008 £'000
Interest on loans	41
Other financial charges	7
	48

Finance costs primarily comprise of interest payable on loans drawn down by the Indian Subsidiary (see note 18) and are charged to the Consolidated Income Statement in the period in which they are incurred.

9. Finance income

	4 April 2007 to 31 March 2008 £'000
Interest income	1,616
Other income	6
	1,622

Interest income primarily comprises of interest receivable on surplus funds held as short-term deposits with banks and is accounted for on an accruals basis.

10. Taxation

The Company has been granted exemption from Guernsey taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee of £600. The Directors intend to conduct the Company's affairs such that it continues to remain eligible for exemption from Guernsey tax. The Company's Cyprus Subsidiary is charged tax on income at the rate of 10%. The Company's Indian Subsidiary is charged tax on income at the rate of 33.99%.

Revenue is recorded gross of applicable taxes but net of indirect taxes, such as VAT. Direct tax expense is recognised through the Consolidated Income Statement as incurred and indirect taxes are included in the Balance Sheet as payable to or due from the government.

The taxation charge in the Consolidated Income Statement is made up as follows:

	4 April 2007 to 31 March 2008 £'000
Corporate income tax	224

The following table provides a reconciliation of the Guernsey statutory tax rate to the effective rate on profit from operating activities:

	4 April 2007 to 31 March 2008 £'000
Net profit from operating activities	2,183
Company's Guernsey rate (as exempt from Guernsey tax)	–
Taxation	224
Effective tax rate	10.28%
Company's Guernsey rate (as exempt from Guernsey tax)	0%
Supplementary overseas taxes at higher rates: India	33.99%
Cyprus	10%
Effective tax rate	10.28%

11. Earnings per Ordinary Share – basic and fully diluted

The basic and fully diluted return per Ordinary Share is based on net profit for the period of £1.96 million and on a weighted average number of 55 million Ordinary Shares in issue throughout the period.

12. Intangible assets

Group only	Total £'000	Exploitation rights £'000	Investments in films and films under production £'000
Cost			
Additions	36,309	10,176	26,133
As at 31 March 2008	**36,309**	**10,176**	**26,133**
Amortisation			
Charge for the period	(5,112)	(5,112)	–
As at 31 March 2008	**(5,112)**	**(5,112)**	**–**
Net book amount before foreign exchange adjustment	**31,197**	**5,064**	**26,133**
Foreign exchange adjustment	190	190	–
Net book amount as at 31 March 2008	**31,387**	**5,254**	**26,133**

13. Term deposit

The Company placed a term deposit with a weekly rollover option of £2.25 million with ING Singapore and the Company receives interest at a floating rate, which stood at 5.255% as at 31 March 2008. Interest on the deposit is re-invested at the time of each rollover. As at 31 March 2008, the term deposit plus accrued interest amounted to £2.27 million.

ING Singapore has a lien on the term deposit (see note 18).

14. Investment in Subsidiaries

The Company held interests in the following Subsidiaries at the period end:

Name	Country of incorporation	Principal activities	31 March 2008 Holding
The Indian Film Company (Cyprus) Limited (formerly Braxfield Investment Limited)	Cyprus	Production, acquisition, sale and distribution of Indian films worldwide	100%
IFC Distribution Private Limited	India	Sale/license of domestic theatrical rights	100%

15. Trade and other receivables

	Group 31 March 2008 £'000	Company 31 March 2008 £'000
Trade receivables	1,090	–
Other receivables[1]	1,963	32
Advance tax	234	–
	3,287	**32**

[1] Other receivables for the Group relates to balances held by agents which had not been remitted to the Group as at 31 March 2008.

16. Cash and cash equivalents

	Group 31 March 2008 £'000	Company 31 March 2008 £'000
Cash at bank		
Placed by Custodian	19,325	17,913
Others	24	18
	19,349	**17,931**

17. Trade and other payables

	Group 31 March 2008 £'000	Company 31 March 2008 £'000
Professional fees	111	80
Current tax payable	224	–
Other payables and accruals	222	–
	557	**80**

18. Secured loan

Group only	31 March 2008 £'000
Secured loan	1,109

The above loan was received by IFC Distribution Private Limited, the Indian Subsidiary, at a floating interest rate from ING Vysya Bank Limited against a primary security of first charge on all current assets of the Company and also a collateral security as a Standby Letter of Credit from ING Singapore which has been issued against a term deposit of £2.27 million held by the Company (see note 13).

There are no set repayment terms and the floating interest rate payable at the period end was 10% (ING Vysya Bank Reference Rate (IVRR) of 15.25%, less 5.25%).

During the period, the Indian Subsidiary received an unsecured loan of Indian Rupees ("INR") 76.50 million from TV 18 Senior Professional Trust, an independent trust, at a fixed rate of 12%. Raghav Bahl, a Director of the Company is one of the trustees of TV 18 Senior Professional Trust. The loan was repaid by the Indian Subsidiary during the period.

The Indian Subsidiary also received a loan of INR 10.00 million from Network 18 Media and Investment Limited (formerly known as Network 18 Fincap Limited) at a fixed rate of 12%. Raghav Bahl, a Director of the Company, holds 48.54% of its shares (directly and indirectly). The loan was repaid by the Indian Subsidiary during the period.

19. Share capital

	31 March 2008 £'000
Authorised:	
Unlimited Ordinary Shares of no par value each	–
Allotted, called-up and fully paid:	
55,000,000 Ordinary Shares of no par value each	–

On 18 June 2007, the Company was admitted to trading on AIM, a market operated by the London Stock Exchange, following the issue of 55 million Ordinary Shares of no par value.

20. Share premium

As stated in the Company's Admission Document, a written special resolution dated 6 June 2007 was submitted to the Royal Court in Guernsey (the "Court") seeking approval to cancel the Company's share premium account and to credit the amount so cancelled as a distributable reserve. The cancellation of the share premium account was approved by the Court on 22 June 2007 and the amount standing to the credit of the share premium account was credited as a distributable reserve.

21. Net asset value per Ordinary Share

The net asset value per Ordinary Share as at 31 March 2008 is based on the net assets attributable to equity Shareholders of £54.77 million and on 55 million Ordinary Shares in issue at the end of the period.

22. Segmental analysis

Business segments

The Directors are of the opinion that the Group is engaged in two identifiable business segments, being the acquisition of and the production of Indian films and related content. There are no other significant classes of business. Where items are not relevant to any of the defined segments, the amount is included as "unallocated".

Income Statement for the period from 4 April 2007 to 31 March 2008	Total £'000	Acquisition £'000	Production £'000	Unallocated £'000
Income				
Revenue	11,447	11,447	–	–
Cost of sales	(9,177)	(9,177)	–	–
Gross profit	**2,270**	**2,270**	**–**	**–**
Expenses				
Management fees	(829)	–	–	(829)
Net foreign exchange losses	(296)	–	–	(296)
Other expenses	(536)	–	–	(536)
Operating profit/(loss) before interest and tax	**609**	**2,270**	**–**	**(1,661)**
Finance cost	(48)	(48)	–	–
Finance income	1,622	20	–	1,602
Operating profit/(loss) before tax	**2,183**	**2,242**	**–**	**(59)**
Corporate income tax expense	(224)	(224)	–	–
Net profit/(loss) for the period	**1,959**	**2,018**	**–**	**(59)**

Balance Sheet As at 31 March 2008	Total £'000	Acquisition £'000	Production £'000	Unallocated £'000
Assets				
Exploitation rights, investments in films and films under production	31,387	28,858	2,529	–
Term deposit	2,270	2,270	–	–
Trade and other receivables	3,287	3,021	–	266
Prepayments	145	–	–	145
Cash and cash equivalents	19,349	–	–	19,349
Total assets	**56,438**	**34,149**	**2,529**	**19,760**
Liabilities				
Trade and other payables	(557)	–	–	(557)
Secured loan	(1,109)	(1,109)	–	–
Total liabilities	**(1,666)**	**(1,109)**	**–**	**(557)**
Net assets	**54,772**	**33,040**	**2,529**	**19,203**

22. Segmental analysis (continued)

Geographical segments

The Directors are of the opinion that the Group operates primarily in two economic environments, as defined below, as they are subject to risks and returns that are specific to each such environment. The revenue information is based on the location of the customer. Where items are not relevant to any of the defined segments, the amount is included as "unallocated".

Income Statement for the period from 4 April 2007 to 31 March 2008	Total £'000	India £'000	Rest of the world £'000	Unallocated £'000
Income				
Revenue	11,447	9,536	1,911	–
Cost of sales	(9,177)	(7,972)	(1,154)	(51)
Gross profit	**2,270**	**1,564**	**757**	**(51)**
Expenses				
Management fees	(829)	(730)	(99)	–
Net foreign exchange losses	(296)	(260)	(36)	–
Other expenses	(536)	(189)	(347)	–
Operating profit/(loss) before interest and tax	**609**	**385**	**275**	**(51)**
Finance cost	(48)	(48)	–	–
Finance income	1,622	33	1,589	–
Operating profit/(loss) before tax	**2,183**	**370**	**1,864**	**(51)**
Corporate income tax expense	(224)	(36)	(188)	–
Net profit/(loss) for the period	**1,959**	**334**	**1,676**	**(51)**

Balance Sheet As at 31 March 2008	Total £'000	India £'000	Rest of the world £'000	Unallocated £'000
Assets				
Exploitation rights, investments in films and films under production	31,387	27,878	3,509	–
Term deposit	2,270	2,270	–	–
Trade and other receivables	3,287	2,485	802	–
Prepayments	145	145	–	–
Cash and cash equivalents	19,349	6	19,343	–
Total assets	**56,438**	**32,784**	**23,654**	**–**
Liabilities				
Trade and other payables	(557)	(41)	(516)	–
Secured loan	(1,109)	(1,109)	–	–
Total liabilities	**(1,666)**	**(1,150)**	**(516)**	**–**
Net assets	**54,772**	**31,634**	**23,138**	**–**

23. Risk profile

The principal investment objective of the Group is to achieve total return for Shareholders through investment in a diverse portfolio of Indian films and films primarily targeted at the Indian audience across different genres, languages and budgets. Consistent with that objective, the Group's assets largely comprise investments in films and associated rights. In addition, the Group holds cash and liquid resources as well as having receivables and payables that arise directly from its operations.

The main risks arising from the Group's assets are market price risk, foreign exchange risk, liquidity risk, interest rate risk and credit risk.

The Board reviews and agrees policies for managing the Group's risk exposure and monitors the Group's overall market position on a regular basis. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The policies adopted to deal with these risks and the strategies utilised to manage these risks are set out below.

Market price risk

The Group's exposure to market price risk will mainly arise as a result of fluctuations of the revenues generated from the film projects entered into by the Group, which are dependent, amongst other things, on the success of each individual film project and the Indian film industry as a whole. The Board has contracted with Film Investment Managers (Mauritius) Limited to provide up-to-date information regarding the Indian film industry and to source film projects it believes will be successful and favourably received by the audience.

Foreign exchange risk

The Group has exposure to Sterling (GBP), Indian Rupee (INR) and US Dollar (USD) denominated assets and liabilities. Consequently, the Group is exposed to risks that the exchange rate of other foreign currencies relative to Sterling may change in a manner that has an adverse effect on the value of that portion of the Group's assets and liabilities denominated in currencies other than Sterling.

As a result, the Group faces both translation and transaction currency risk, which are principally mitigated by matching foreign currency revenues and costs wherever possible. The Group's major revenues are denominated in Indian Rupees, which are matched where possible to its costs, to act as an automatic hedge against foreign currency movements.

As stated in the Admission Document, the Group may enter into currency hedging transactions in order to further mitigate the foreign exchange risks, but is not required or expected to do so.

23. Risk profile (continued)

Foreign exchange risk (continued)

The Group's total exposure to fluctuations in foreign currency exchange rates at the Balance Sheet date was as follows:

Currency split as at 31 March 2008	Total £'000	GBP £'000	INR £'000	USD £'000
Financial assets:				
Cash and cash equivalents	19,349	19,303	41	5
Term deposit	2,270	2,270	–	–
Total financial assets	**21,619**	**21,573**	**41**	**5**
Non-financial assets:				
Exploitation rights, investments in films and films under production	31,387	–	31,387	–
Trade and other receivables	3,287	386	2,435	466
Prepayments	145	145	–	–
Total non-financial assets	**34,819**	**531**	**33,822**	**466**
Total assets	**56,438**	**22,104**	**33,863**	**471**
Financial liabilities:				
Secured loan	(1,109)	–	(1,109)	–
Total financial liabilities	**(1,109)**	**–**	**(1,109)**	**–**
Non-financial liabilities:				
Trade and other payables	(557)	(286)	(271)	–
Total non-financial liabilities	**(557)**	**(286)**	**(271)**	**–**
Total liabilities	**(1,666)**	**(286)**	**(1,380)**	**–**
Net assets	**54,772**	**21,818**	**32,483**	**471**
Net exposure to currency	**100.00%**	**39.83%**	**59.31%**	**0.86%**

Sensitivity analysis

A 5% weakening/strengthening of Sterling against each currency as at 31 March 2008 would have increased/(decreased) the net assets attributable to holders of Ordinary Shares and the profit for the period per the Consolidated Income Statement by the amounts shown below. This analysis assumes that all other variables remain constant.

The effect on equity of a weakening of Sterling by 5% against each currency:

	31 March 2008 £'000
Indian Rupee	1,710
US Dollar	25
Total	**1,735**

The effect on equity of a strengthening of Sterling by 5% against each currency:

	31 March 2008 £'000
Indian Rupee	(1,547)
US Dollar	(22)
Total	**(1,569)**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective of ensuring that adequate funding is in place is achieved by management of its capital raised to ensure that the Company and its Subsidiaries have sufficient cash on demand to meet expected operational expenses. The management of capital takes account of film release dates and payment terms agreed with customers and vendors and encompasses the review of cash flows to ensure that the Group has sufficient funding to meet its commitments as they fall due.

As at 31 March 2008, the Group had a net cash surplus of £18.24 million, consisting of cash and cash equivalents, less the secured loan (see note 18).

In addition to the net cash surplus, the Group had undrawn committed facilities of £2.03 million as at 31 March 2008. There are no restrictions imposed on the undrawn committed facilities provided by ING Vysya Bank Limited (note 18).

Maturity analysis for financial liabilities as at 31 March 2008	Total £'000	Not later than one month £'000	Later than one month and not later than three months £'000	Later than three months and not later than one year £'000
Trade and other payables	557	253	257	47
Secured loan	1,109	1,109	–	–
Total	**1,666**	**1,362**	**257**	**47**

Interest rate risk

The Group's working capital borrowings are provided at floating interest rates. The interest rates on the working capital are based on inter-bank rates.

The Group's surplus funds are placed on deposit with banks. The Group has cash pooling arrangements in place to ensure that it minimises the interest paid on borrowings, whilst allowing net surplus funds to be invested in interest bearing deposits.

Since the Company's Subsidiaries operate in different economic environments, there is a risk that interest rates will change by different amounts and at different times in each environment, thereby impacting the Group's results.

23. Risk profile (continued)

Interest rate risk profile of assets and liabilities

Assets as at 31 March 2008	Total as per Consolidated Balance Sheet £'000	Fixed rate £'000	Floating rate £'000	Non-interest bearing assets £'000
Financial assets:				
Cash and cash equivalents	19,349	–	19,309	40
Term deposit	2,270	–	2,270	–
Total financial assets	**21,619**	**–**	**21,579**	**40**
Non-financial assets:				
Exploitation rights, investments in films and films under production	31,387	–	–	31,387
Trade and other receivables	3,287	–	–	3,287
Prepayments	145	–	–	145
Total non-financial assets	**34,819**	**–**	**–**	**34,819**
Total assets	**56,438**	**–**	**21,579**	**34,859**

Liabilities as at 31 March 2008	Total as per Consolidated Balance Sheet £'000	Fixed rate £'000	Floating rate £'000	Non-interest bearing liabilities £'000
Financial assets:				
Secured loan	(1,109)	–	(1,109)	–
Total financial liabilities	**(1,109)**	**–**	**(1,109)**	**–**
Non-financial liabilities:				
Trade and other payables	(557)	–	–	(557)
Total non-financial liabilities	**(557)**	**–**	**–**	**(557)**
Total liabilities	**(1,666)**	**–**	**(1,109)**	**(557)**

A one percentage point increase/decrease in the rate of interest receivable/payable on floating rate balances as at the period end would have the following effect:

	31 March 2008 £'000
Finance cost	±11
Finance income	±216

Credit risk

The risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The carrying amounts of financial assets best represent the maximum credit risk exposure as at the Balance Sheet date.

As at 31 March 2008, the following assets were exposed to credit risk:

- Investments in films and films under production – the Group has appointed Studio 18 as production supervisors who closely review the progress of films and based on the updates received from Studio 18, the Group is of the opinion that no provision for doubtful debts is required;
- Trade and other receivables – provision for trade receivables is made at the rate of 50% in respect of amounts outstanding for more than 120 days; and
- Prepayments – the Group is of the opinion that no provision for doubtful debts is required.

The Group's credit risk is principally attributable to amounts paid to producers for the acquisition of rights in film projects and trade and other receivables. The amounts shown in the Consolidated Balance Sheet in respect of receivables are net of allowances for doubtful debts based on management's expectations, known commercial issues and the assessment of the local economic environment and practises. Credit risk is managed by the use of credit checks on new clients and individual credit limits, where appropriate, together with regular updates on any changes in a third party's situation to ensure that the Group's exposure to bad debts remains insignificant. In a number of cases, third parties will be required to make advance payments or minimum guarantee payments before the delivery of any goods or services. There is no significant concentration of credit risk with exposure spread over a large number of customers and counterparties. The maximum exposure to credit risk is indicated as follows:

Exposure to credit risk	31 March 2008 £'000
Trade receivables	1,090
Other receivables	1,963
	3,053

24. Capital management policy and procedures

The Group's capital management objectives are to ensure that the Group will be able to continue as a going concern in order to maximise total return for Shareholders and to maintain an optimal capital structure to minimise the cost of capital.

The Group's borrowing policy, for investment or short-term funding purposes, is that it should borrow no more than 50% of net asset value, calculated at the time of borrowing.

The Board, with the assistance of the Investment Manager, monitors and reviews the structure of the Group's capital on an ad hoc basis. This review includes:

- the current and future levels of gearing;
- the need to buy back Ordinary Shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per Ordinary Share and the Ordinary Share price; and
- the current and future dividend policy.

Neither the Company nor any of its Subsidiaries are subject to any externally imposed capital requirements.

As at 31 March 2008, the Group held a secured loan of £1.11 million. As disclosed in the Consolidated Balance Sheet, total equity Shareholders' funds as at 31 March 2008 was £54.77 million.

25. Contingent liabilities

The secured loan, detailed in note 18, has certain guarantees made to the lender, ING Vysya Bank Limited, being a first charge on all current assets of the Company and also a collateral security as a Standby Letter of Credit from ING Singapore issued against the term deposit, detailed in note 13.

The Group had no other contingent liabilities as at 31 March 2008.

26. Capital commitments

Capital commitments not provided for as at 31 March 2008 amounted to £39.28 million. These are outstanding commitments towards contracts entered into with producers and key talents. Based on the Group's detailed cash flow forecasts, which take into account all forecast revenue and expenses, the Board believes that the Group has sufficient funds available to meet these commitments as they fall due.

27. Duration of the Company

The Company does not have a fixed life.

28. Post Balance Sheet events

There were no material post Balance Sheet events.

29. Related parties

The relationships between the Group and Film Investment Managers (Mauritius) Limited and Elysium Fund Management Limited are disclosed in note 5.

Raghav Bahl, a Director of the Company, holds 48.54% of the shares (directly and indirectly) of Network 18 Media and Investment Limited (formerly known as Network 18 Fincap Limited) in his individual capacity. Network 18 Media and Investment Limited subscribed to 10,000,000 Ordinary Shares in the Company as part of the Placing.

The Investment Manager, Film Investment Managers (Mauritius) Limited, of which Raghav Bahl is also a Director, is owned 50% by BK Media Mauritius Private Limited and 50% by Viacom Inc. BK Media Mauritius Private Limited subscribed to 1,900,000 Ordinary Shares in the Company as part of the Placing.

Viacom 18 Media Private Limited (formerly known as MTV Networks India Private Limited) is a 50:50 joint venture between Network 18 Group and Viacom Inc. Studio 18 was a division of Network 18 Media and Investment Limited until 5 November 2007. After this date, Studio 18 was transferred to Viacom 18 Media Private Limited. The Group benefits from a relationship with Studio 18, whereby the Group has first right of refusal on any film project originated by Studio 18. Studio 18 also has a team who has experience in the areas of marketing, distribution and the production of films. The Group has entered into contractual arrangements with Studio 18 for the use of such services.

TV 18 UK Limited, of which Raghav Bahl is a director, is a 100% subsidiary of TV 18 Mauritius Limited.

TV 18 Senior Professional Trust is an independent trust and Raghav Bahl is one of the trustees.

The Directors are not aware of any ultimate controlling party of the Company.

Related party	Details of charges	Charges 4 April 2007 to 31 March 2008 £'000	Amounts owed by/(to) related parties 31 March 2008 £'000
Network 18 Media and Investments Limited	Purchase of film rights, distribution commission and interest	3,928	57
Film Investment Managers (Mauritius) Limited	Management fees	829	–
Viacom 18 Media Private Limited	Distribution commission and supervision fees	467	1,634
TV 18 UK Limited	Distribution commission	–	115
TV 18 Mauritius Limited	Distribution commission	–	(11)
TV 18 Senior Professional Trust	Interest paid	28	–

30. Fair value of financial instruments

The Directors do not consider the fair values of the financial instruments (cash and cash equivalents, term deposit and secured loan) to be materially different from their carrying values.

31. Company Income Statement

	4 April 2007 to 31 March 2008 £'000
Income	–
Expenses	
Management fees	(829)
Other expenses	(302)
Operating loss before interest and tax	**(1,131)**
Finance income	1,601
Net profit for the period	**470**

32. Company Statement of Changes in Equity

for the period from 4 April 2007 to 31 March 2008	Share capital £'000	Share premium £'000	Distributable reserve £'000	Total £'000
At 4 April 2007	–	–	–	–
Gross proceeds of Placing	–	55,000	–	55,000
Issue costs	–	(2,217)	–	(2,217)
Cancellation of share premium	–	(52,783)	52,783	–
Net profit for the period	–	–	470	470
At 31 March 2008	**–**	**–**	**53,253**	**53,253**

33. Company Statement of Cash Flows

	4 April 2007 to 31 March 2008 £'000
Operating activities	
Net profit for the period	470
Adjustments for:	
Finance income	(1,601)
Net cash outflow from operating activities before working capital changes	**(1,131)**
Increase in trade and other receivables	(17)
Increase in trade and other payables	80
Net cash outflow from operating activities	**(1,068)**
Investing activities	
Investment in Subsidiary undertakings	(33,100)
Interest received	1,586
Net cash outflow from investing activities	**(31,514)**
Financing activities	
Proceeds from Placing	55,000
Formation expenses paid	(2,217)
Payment for term deposit	(2,270)
Net cash inflow from financing activities	**50,513**
Increase in cash and cash equivalents	**17,931**
Cash and cash equivalents at beginning of period	–
Increase in cash and cash equivalents	17,931
Cash and cash equivalents at end of period	**17,931**

Directors

Shyam Benegal *(non-executive Chairman)*
Raghav Bahl *(non-executive Director)*
Lord Meghnad Desai *(non-executive Director)*
Alok Verma *(non-executive Director)*
Peter Radford *(non-executive Director)*

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