ANNUAL REPORT 2010

and Audited Consolidated Financial Statements

For the year ended 31 March 2010

THE INDIAN FILM COMPANY

Managed by Film Investment Managers (Mauritius) Limited

www.theindianfilmcompany.com

Investment Objective

The investment objective 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") 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") 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.

Investing Policy

The Investment Manager will adhere to the following investment policies and restrictions in making its recommendations to the Board:

- *Target Film Projects*: Investments will be made in Indian films and films primarily targeted at an Indian audience that range across different genres, languages (including Hindi, regional Indian languages and English) and budgets, and to a lesser extent, cross-over films
- *Type of Investments*: Investments will be funded by way of cash. It is not intended that Ordinary Shares will be used as consideration for any investments in Film Projects
- *Number of Investments*: Once fully invested, the Investment Manager envisages that the Group should hold investments in a diversified portfolio of approximately 30 to 40 Film Projects
- *Investment Size*: It is anticipated that the size of each of the Group's investments in individual Film Projects should not exceed 30% of the Group's Net Asset Value at the time of the investment
- *Borrowing*: The Group may be permitted to use debt at the investment level where appropriate and may borrow, for investment or short-term funding purposes, amounts of up to 50% of the Group's Net Asset Value, calculated at the time of borrowing. The Group may also utilise an overdraft and other short-term borrowing facilities to provide short-term working capital, including capital required to meet any expenses or fees payable by the Group
- *Uninvested Funds*: The Group intends that cash pending investment, reinvestment or distribution should be placed in bank deposits, bonds or government-issued treasury securities in order to protect the capital value of the Group's cash assets.

Notes

- The Company achieved its target of investing 100% of the funds raised (net proceeds raised of £52.78 million) within 18 months of admission to AIM, as disclosed in the Admission Document
- The Company's investment objective is focused primarily on capital appreciation by way of financing the production and distribution of Indian films. The Group intends to reinvest 75% of distributable profits into Film Projects which adhere to the strategy and parameters described above. The Directors intend, but are not required, to distribute 25% of distributable profits to Shareholders depending on the cash flow needs and long-term objectives of the business.

Satish Kaushik in "Road, Movie"

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www.theindianfilmcompany.com

A closed-ended investment company, incorporated under The Companies (Guernsey) Law, 2008, as amended.
REGISTERED IN GUERNSEY No. 46723

Chairman's Statement

I am pleased to present the third Annual Report and Audited 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 financial year ended 31 March 2010.

Satish Kaushik and Abhay Deol in "Road, Movie"

Financial update

It is well known throughout the world that the global economy witnessed the worst financial crisis since the Great Industrial Depression of the 1930s. The subprime crisis that emerged in the US housing mortgage market in 2007 snowballed into a global financial crisis, leading to a global economic recession and the financial landscape changed significantly after the collapse of Lehman Brothers in September 2008. Consequently, the world saw a huge contraction in demand and consumption. India too felt the external demand shocks with the Indian economy witnessing a moderation in growth in the second half of the financial year ended 31 March 2009, in comparison with the robust growth performance in the preceding five years. Domestic demand contracted and household spending reduced. However, towards the latter part of the calendar year 2009, the Indian economy showed signs of recovery with an increase in domestic demand and consumer spending.

The Indian film industry did not remain unaffected by such macroeconomic factors. Domestic demand and spending remained under pressure, the box-office performance of several big budget films was generally poor, which was accentuated by a two month-long stand-off between producers and multiplex owners which was subsequently resolved in June 2009. All these factors contributed to calendar year 2009 being a difficult year for the industry as a whole.

Revenue by stream 2009–2010

72%	Television Syndication and Others
24%	Theatrical
3%	Music
1%	Home Video

Revenue by stream 2008–2009

35%	Television Syndication and Others
54%	Theatrical
7%	Music
4%	Home Video

The financial crisis also had a major impact on the marketing and advertising expenditure of companies. Most corporates cut their marketing and advertising budgets drastically. As a result, the producers and film studios experienced a significant decrease in the prices of satellite rights of their films. Music and home video markets also witnessed a huge contraction with an overall negative impact on the various streams of revenues available for monetisation of film rights.

While exploitation of films and film rights became more difficult, the Indian film industry also saw a considerable reduction in the number of projects launched during the financial year ended 31 March 2010. Reduced capital flows and increased dependence on box office revenues resulted in a reduced number of projects going into production.

The Indian film industry showed negative growth in the calendar year 2009 due to the many reasons stated above. The size of the Indian film industry was INR 89 billion (£1.31 billion) in calendar year 2009, down from INR 104 billion in calendar year 2008; a contraction of 14.42%[1]. Consequently, the financial year ended 31 March 2010 saw poor box office performances for almost all of the Group's films released in this period. The inability of the content to strike a chord with the audience coupled with the two month-long stand-off between producers and multiplex owners resulting in shorter release windows and the drying up of other revenue streams, resulted in disappointing performances for the year ended 31 March 2010.

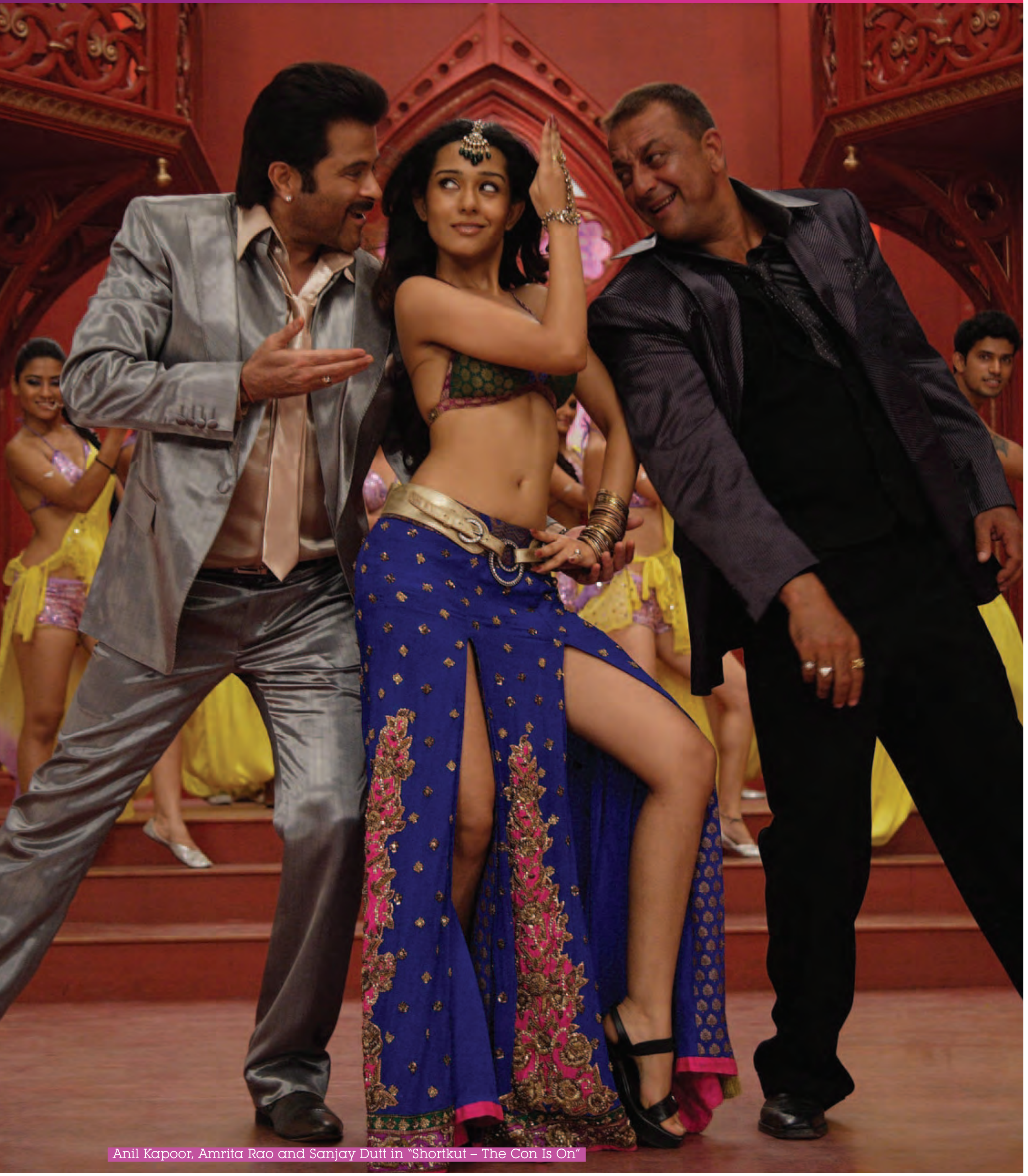
The Group recorded a net loss for the year of £4.56 million (31 March 2009: net profit of £3.89 million), giving a loss per share of 8.29 pence (31 March 2009: earnings per share of 7.07 pence). The Group's net asset value ("NAV") as at 31 March 2010 was 115.56 pence per Ordinary Share; a decrease of 1.50% from the last audited NAV of 117.32 pence per Ordinary Share as at 31 March 2009.

As at 31 March 2010, the Group held cash balances of £4.96 million (31 March 2009: £0.94 million), £7.31 million including the term deposit (31 March 2009: £3.29 million) and had exploitation rights and investments in films and films under production with an aggregate carrying value of £45.87 million (31 March 2009: £52.06 million). As at 31 March 2010, the Group has committed to invest £13.42 million towards film projects. The Group has not commited any further funds post 31 March 2010. These commitments will predominantly be funded through cash generated by the Group from the exploitation of film rights. The Group is also working with some of the financial institutions in India to raise debt to fund its future investments in film projects.

Investment Management Fee

As announced on 30 March 2010, the Group agreed with its Investment Manager, Film Investment Managers (Mauritius) Limited, a reduction in the Investment Management Fee ("Fee"), chargeable under the Investment Management Agreement, from 2% of the opening NAV as at 1 April 2009 to 1% of the opening NAV for the year ended 31 March 2010. As the Investment Manager is deemed to be a related party under the AIM Rules, the independent Directors (which excludes Raghav Bahl), having consulted with the Company's Nominated Adviser, consider the Fee to be fair and reasonable insofar as Shareholders are concerned.

Fardeen Khan and Genelia D'Souza in "Life Partner"


Anil Kapoor, Amrita Rao and Sanjay Dutt in "Shortkut – The Con Is On"

Operational update

Key Highlights

Some of the operating highlights for the year were:

- The Group released nine films during the year, which comprised a balanced mix between acquisitions, co-productions and productions. The films released included "Shortkut – The Con Is On", "Luck", "Life Partner", "Fruit 'N' Nut", "Striker", "Road, Movie" and "Hum Tum Aur Ghost"
- The Group was licensed for the international theatrical rights for two films, "London Dreams" and "Rann". "London Dreams" was received more favourably by audiences in overseas markets than at the domestic box office, which can be attributed largely to better marketing and distribution of the film in the overseas territories. While both films had strong star casts and scripts, they failed to meet audience expectations
- The Group's international co-production, "Road, Movie" directed by Dev Benegal was screened at many international film festivals and was released in India in March 2010. The film will be released internationally in the financial year ending 31 March 2011
- The Group pioneered the first ever release of a Bollywood movie, "Striker", on YouTube, which was released internationally and targeted the Indian diaspora in overseas markets with high broadband penetration. The movie was made available on one click, in high-definition with subtitles available in multiple languages. The film was released on a paid model in the USA, and was available on the Studio 18 channel of the Company on YouTube for free in the rest of the world, albeit online access to Indian audiences was restricted
- The "Road, Movie" website won a bronze award in the Interactive Digital Awards section, under the Consumer Goods category at the Goafest Creative Abbys. There was no silver or gold awarded in this category this year at the awards ceremony which is considered India's equivalent of the Cannes Lions.

Films released in the year

"Shortkut – The Con Is On"

- **Starring:** Akshaye Khanna, Arshad Warsi, Amrita Rao
- **Directed by:** Neeraj Vora
- **Music:** Shankar Ehsaan Loy
- **Genre:** Comedy
- **Produced by:** Anil Kapoor Film Company
- **Released:** 10 July 2009

"Luck"

- **Starring:** Imran Khan, Sanjay Dutt, Shruti Hasan, Danny Denzongpa, Mithun Chakraborty
- **Directed by:** Soham Shah
- **Music:** Salim Sulaiman
- **Genre:** Action thriller
- **Produced by:** Shree Ashtivinayak Cinevision Ltd
- **Released:** 24 July 2009

"Life Partner"

- **Starring:** Govinda, Fardeen Khan, Tusshar Kapoor, Genelia D'Souza, Prachi Desai
- **Directed by:** Rumi Jaffery
- **Music:** Pritam
- **Genre:** Romantic comedy
- **Co-produced with:** Burmawala Brothers
- **Released:** 14 August 2009

"Fruit 'N' Nut"

- **Starring:** Cyrus Broacha, Boman Irani, Diya Mirza, Mahesh Manjrekar
- **Directed by:** Kunal Vijaykar
- **Music:** Sangeet & Siddharth Haldipur
- **Genre:** Comedy
- **Produced by:** Indian Films
- **Released:** 23 October 2009

"London Dreams"*

- **Starring:** Salman Khan, Ajay Devgan, Asin
- **Directed by:** Vipul Shah
- **Music:** Shankar Ehsaan Loy
- **Genre:** Romantic drama
- **Produced by:** Blockbuster Movies Entertainers and Headstart Films UK
- **Released:** 30 October 2009

* Theatrical release in overseas territories.

"Rann"*

- **Starring:** Amitabh Bachchan, Ritesh Deshmukh, Paresh Rawal, Rajat Kapoor, Gul Panag
- **Directed by:** Ram Gopal Verma
- **Genre:** Social drama
- **Produced by:** Cinergy & Vistaar Religare Film Fund
- **Released:** 29 January 2010

* Theatrical release in overseas territories.

"Striker"

- **Starring:** Siddharth, Aditya Panscholi, Vidya Malavade
- **Directed by:** Chandan Arora
- **Music:** Shailendra Barve, Amit Trivedi, Vishal Bhardwaj, Yuvan Shankar Raja, Swanand Kirkire
- **Genre:** Sports drama
- **Co-produced with:** Make Films Pvt. Ltd.
- **Released:** 5 February 2010

"Road, Movie"

- **Starring:** Abhay Deol, Satish Kaushik, Tannishta Mukherjee
- **Directed by:** Dev Benegal
- **Music:** Micheal Brooke
- **Genre:** Comedy drama
- **Co-produced with:** August Entertainment
- **Released:** 5 March 2010

"Hum Tum Aur Ghost"

- **Starring:** Arshad Warsi, Boman Irani, Diya Mirza
- **Directed by:** Kabir Kaushik
- **Music:** Shankar Ehsaan Loy
- **Genre:** Romantic comedy
- **Co-produced with:** Shooting Star Films Pvt. Ltd.
- **Released:** 26 March 2010

Network 18 Holdings Limited ("Network 18") takeover offer

During the year, the Company received a mandatory cash offer (the "Offer") from Network 18, a subsidiary of Network 18 Media & Investments Limited, of which Raghav Bahl, a non-executive Director of the Company, is a director and substantial shareholder (see note 28). The Offer was at 40 pence per share for the entire issued share capital of the Company not already owned by the Network 18 Parties (together, Network 18, Network 18 Media & Investments Limited and its subsidiaries, BK Media Mauritius Private Limited and Raghav Bahl and his immediate family). As at the date of announcement of the Offer on 30 July 2009, the Network 18 Parties held, in aggregate, 19,813,500 shares in the Company, equating to 36.02% of the Company's issued share capital.

The Offer closed on 7 September 2009 and the Network 18 Parties' holding in the Company stood at 44,209,742 shares, being 80.38% of the Company's issued share capital. As announced on 16 September 2009, the Board confirmed that it expected no change to the Group's current strategy and that the Company would continue to be traded on the Alternative Investment Market of the London Stock Exchange.

The Offer resulted in the Group being consolidated as a Network 18 Group company, which is expected to allow the Group the full benefits of directly and openly leveraging the strengths of the Network 18 Group, such as its branding, its association with the world's highest profile and most widely respected media brands, including CNN, CNBC, Viacom, and Forbes and the Network 18 Group's track record in the media sector in India. As a result of the Group's association with the Network 18 Group, the Directors anticipate that the Group will be in a stronger position to compete better with the other big names of the industry.

The Board anticipates that this will lead to greater traction with all film industry participants such as producers, directors, artists, distributors and exhibitors and will allow a more direct association with the branding that the Network 18 Group enjoys in the media industry. It is also expected to result in better access to capital on the strength of the Network 18 Group's track record with the financial community.

As a result of the takeover offer, the Group incurred one-off expenses amounting to approximately £0.16 million, which contributed to the loss for the year.

Board of Directors

On 31 July 2009 and 13 August 2009, it was announced that Mr Atul Setia and Mr Deepak Gupta respectively resigned from the Board. The Board would like to thank Mr Setia and Mr Gupta for their contributions throughout their time with the Company.

Outlook

The Directors believe that the faith in content has seen a muted revival with films like "3 Idiots" and "Paa" doing extremely well at the box office. While calendar year 2009 saw a negative growth in the film industry, calendar year 2010 is expected to see positive growth based on cost optimisation strategies and recent improvements in the general economic environment. Revenues from the sale of satellite rights improved over the last quarter of the financial year ended 31 March 2010 due to reduction in pressure on advertising revenues and improvements in performance of television channels. The Directors expect this trend to continue thereby improving television syndication revenues in the current financial year. The number of digital screens in India has expanded to over 3,000[1] and is expected to increase significantly in the future, which should increase theatrical revenues and also reduce piracy. Furthermore, the fast growing mobile value added services market in India presents opportunities to monetise the new media revenue stream for the Group. The forecast growth in GDP for India is at 6.75% and 8% for the years 2009-10 and 2011-12 respectively[1]. The overall media and entertainment market in India is expected to grow at a compound annual growth rate ("CAGR") of 13% per annum through 2014 to reach INR 1.09 trillion (£16.16 billion)[1].

After a disruptive 2009, the Directors believe that these factors will see the Group recover in the current financial year as it continues the commitment to creating, acquiring and distributing quality content and the Directors firmly believe that, by increasing the Group's focus on multiple revenue streams, better shareholder returns can be delivered.

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.

Shyam Benegal

Chairman

26 May 2010

(1) FICCI-KPMG Indian Media and Entertainment Industry Report 2010.

Arshad Warsi and Diya Mirza in "Hum Tum Aur Ghost"

Investment Manager's Report

Goldy Notay in "It's a Wonderful Afterlife"

The financial year ended 31 March 2010 was a difficult year for the Indian film industry. The year started with the multiplex-producer stand-off leaving the industry with significant losses. The swine flu scare also kept audiences away from movie theatres in early 2009. Most importantly, a lack of good sustainable content affected the success ratio and fortunes of the industry.

Strategy

The Group uses a three-pronged strategy of building a strong content library using a combination of productions, co-productions and acquisitions.

Over the last two years, the Group has witnessed a substantial increase in acquisition costs which has affected the economic and commercial viability of films. Talent costs for key actors and directors have also increased significantly. The poor performance of content in the financial year ended 31 March 2010 and the losses suffered by most of the films released during the year are forcing all players in the industry to relook at the current business model and consider implementing the Hollywood model, where key talent charge a minimum upfront fee but take a larger share in the film earnings post release.

Liquidity pressures have made it difficult for producers and studios to raise debt or equity for funding new projects. This has resulted in a reduction of the number of projects going into production.

The Group continues to have a strong focus on its productions and co-productions and also continues to evaluate film projects for acquisition, co-production and own productions. The films currently in pre-production and production phase are progressing as scheduled. The Group also has an increased focus on creating and maintaining a script bank which can be used to mount its own productions. The industry players and even the key talent have recognised that quality of the script is one of the key factors for the success of a film and hence increased focus is now being placed on the script.

The Group continues its strategy to own commercially viable content.

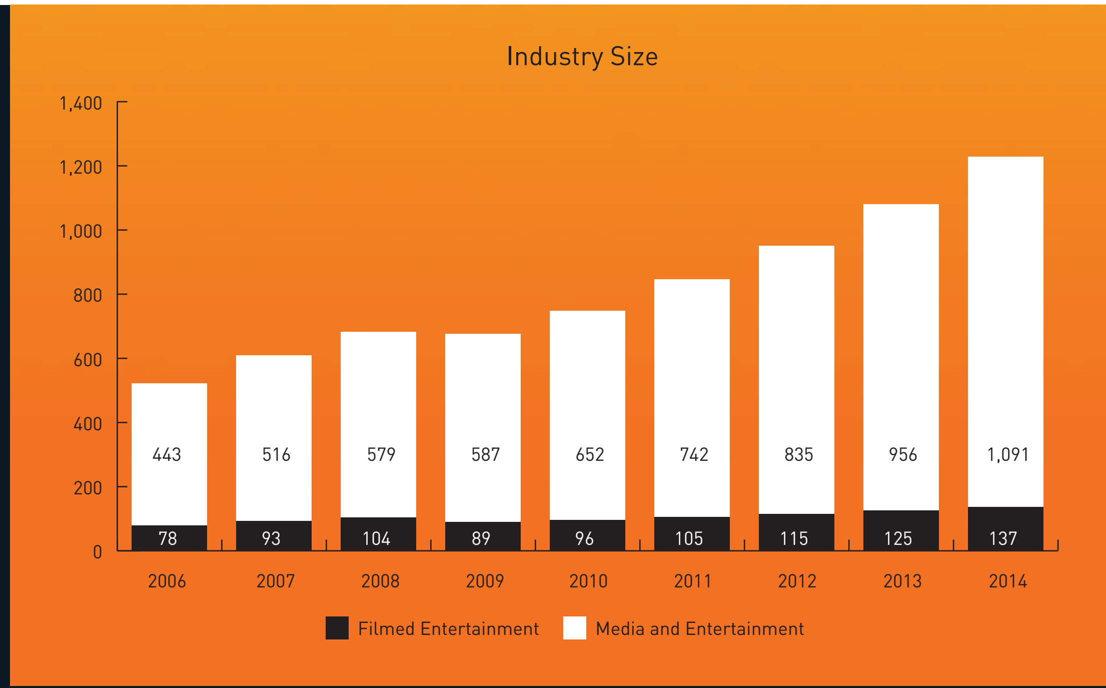
Shruti Hasan in "Luck"

Competition

The film industry has witnessed increased competition during the financial year ended 31 March 2010. Quality content was sparse and hence the bidding wars on these films were very aggressive and competitive. With industry veterans already in competition, the number of corporates and newly set up film funds has increased and become much more active in the industry. While on one hand the industry needs to optimise cost and make projects available at a price level that can make films profitable, the entry of new players has generally led to price inflation of quality content.

Industry update

The Indian media and entertainment market is expected to grow at a compound annual growth rate ("CAGR") of 13% from 2010-2014 to a size of INR 1.09 trillion (£16.16 billion) by 2014. The film industry is expected to grow to a size of INR 137 billion (£2.01 billion) at a CAGR of 9% in the same period[1].



Events in the industry in the financial year ended 31 March 2010

- Stand-off with multiplexes – The two month stand-off between the film producers and distributors and the multiplexes delayed the release of films at the domestic box office. Domestic box office revenues still make a significant contribution to the overall revenues of films. As collections from multiplexes contribute a considerable percentage of a film's gross domestic theatrical collections, the lack of major films released during this period resulted in significant losses for the industry. Once this was resolved, a number of films were released within a short space of time which resulted in the cannibalisation of revenues for the films. The stand-off came to an end with the Producers and Distributors being able to achieve better revenue sharing terms and also retain tighter control over the distribution strategy of their films
- Delay of projects – Global recession and tightening of liquidity in India led to a short-term paucity of funds available to producers for mounting new projects. Projects that were already in production saw delays as film producers, who were banking on post release revenues to fund their under-production projects, saw the revenues falling short of their expectations
- Poor performance of content – The number of films that were successful at the box office in 2009 was far less than in 2008. The content released to entertain Indian audiences has been average or below expectations
- Lower monetisation from sale of satellite rights – The worldwide economic recession led to a huge reduction in marketing and advertising spends by brands. This reduced the money available to television channels for buying filmed content. Licensing of film rights to cable and satellite channels, which had emerged as a very important and significant revenue stream for producers and film studios, saw a sudden and drastic reduction. The broadcasters have seen some revival and relief in advertising revenues and are also maintaining lower advertising spot inventory
- Swine flu pandemic – The swine flu pandemic that spread in India deterred audiences from stepping into high population areas like movie theatres, which had a dampening effect on domestic box office collections.

Films under production

Our productions and co-productions are currently in various stages of production and are on schedule.

"Untitled"

Director: Abbas Mastan
Cast: Abhishek Bachchan, Katrina Kaif, Neil Nitin Mukesh
Genre: Action thriller. Remake of Paramount's "Italian Job"
Co-production with: Burmawala Brothers

"Untitled – David Dhawan"

Director: David Dhawan
Cast: undisclosed
Genre: Comedy

"King Kaun"

Director: Tigmanshu Dhulia
Cast: Govinda, Vidya Malvade, Rimi Sen, Celina Jaitley
Genre: Comedy
Co-production with: Reel Life Entertainment (I) Pvt. Ltd.

"Loot"

Director: Rajneesh Thakur
Cast: Suniel Shetty, Govinda and others
Genre: Action comedy
Co-production with: Popcorn films

"Banda Yeh Bindaas Hai"

Director: Ravi Chopra
Cast: Govinda, Lara Dutta
Genre: Comedy
Co-production with: B R Films

"Ishq Unplugged"

Director: Swapna Joshi
Cast: Himesh Reshamiya, Purbi Joshi, Sonal Sehgal, Rajesh Khattar
Genre: Romantic drama

Outlook

We continue to look positively at the Indian film industry and hope to provide quality content in the coming financial year.

Raghav Bahl

Film Investment Managers (Mauritius) Limited

26 May 2010

(1) FICCI-KPMG Indian Media and Entertainment Industry Report 2010.

Sanjay Dutt in "Luck"

Directors

Shyam Benegal *(Chairman)*

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 the Padma Shri in 1976, and the Padma Bhushan 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

Mr Bahl has over 24 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 strategic relationships with media giants NBC Universal, CNN, Viacom, Time Warner and Forbes and currently broadcasts four 24-hour news channels in India and employs more than 6,000 media professionals across India. In 2007, Mr Bahl was ranked by one of India's leading magazines, as the 15th most powerful man in India and more recently in 2008 as one of the top 50 influential Indians by a leading English newspaper in India. Mr Bahl was also named the Business Transformation Entrepreneur for the Year 2007 by Ernst & Young.

Lord Meghnad Desai

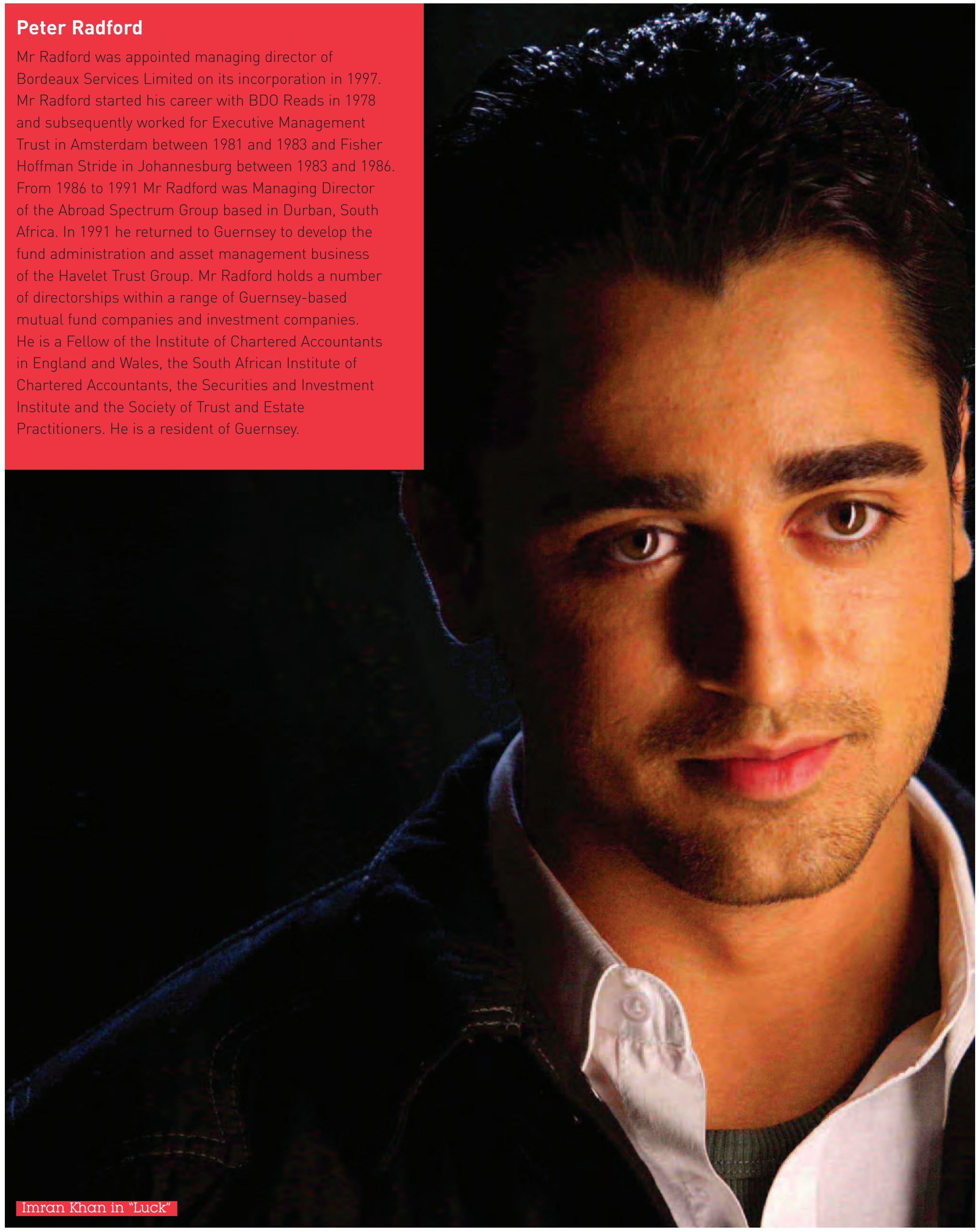
Lord Desai, who holds a doctorate from the University of Pennsylvania, started his professional career in the Department of Agricultural Economics, University of California, in 1963. In 1965, he was appointed as a lecturer of economics at the London School of Economics and became a professor in 1983, 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 the Padma Bhushan 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

Mr Verma is a Senior Partner of Sedley Richards Laurence Voulters and is a Chartered Accountant by profession. He was previously with Casson Beckman (now BakerTilly) where he worked mainly in audit and corporate finance. 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. His specialist corporate finance knowledge also includes extensive experience in public company transactions on the AIM and PLUS markets, including attendance at UK publicly listed companies' audit committee meetings. These focus particularly on their accounting policies and review management procedures in order to monitor the effectiveness of accounting and internal controls. He advises on corporate governance with particular emphasis on accountability, integrity, and risk management, not only to listed companies but to many other organisations outside the corporate sector. He has assisted companies to list on AIM and PLUS in addition to being the lead partner on those clients and other listed clients. He is also a trustee of a foundation for Climate Change.

Peter Radford

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.



Imran Khan in "Luck"

Investment Manager – Film Investment Managers (Mauritius) Limited

key personnel

Raghav Bahl *(Non-executive director)*

For Mr Bahl's biography, please see the Directors section on page 16.

Tsang Fan Hin Tsang Mang Kin, GOSK
(Non-executive director)

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 is also chairman and director of Redsat-Satellite Holdings Limited. 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. An essayist and a poet, writing in both English and French, he is currently vice-president of the Mauritian Writers' Association. He is also president of the Mauritius branch of CNAM in France, a UNESCO resource delegate on Multiculturalism and a member of CPTM's International Advisory Council. He has a degree from the University of London. Mr Tsang Mang Kin has recently been made Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK).

Vivek Chadha *(Non-executive director)*

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.

Bhavneet Singh *(Non-executive director)*

Mr Singh is managing director and executive vice-president for MTV Networks International's (MTVNI) emerging markets group which encompasses television, online, mobile and consumer products businesses in India, Russia, Africa, the Middle East and Central and Eastern Europe. His role includes a focus on developing and establishing MTVNI's portfolio of entertainment brands, which include MTV, Nickelodeon, VH1, Comedy Central, Colors and VIVA across all media platforms. Mr Singh was instrumental in launching MTVNI's first international HD channel as well as driving the growth of the Comedy Central and Nickelodeon brands across the region, whilst also overseeing the launch of inaugural MTV operations in Turkey, Hungary, the Czech Republic and the Middle East. He has also spearheaded the diversification of the emerging markets business with the launch of an events and experiences division and a multi-platform content creation hub. Mr Singh is a member of the World Economic Forum's Young Global Leaders group, which recognises young leaders from around the world for their professional accomplishments and dedication to shaping the future on issues of public interest.

Haresh Chawla *(Non-executive director)*

Mr Chawla has been associated with the Network 18 Group since December 1999, when he joined as CEO. Mr Chawla has been involved in the transformation of the Network 18 Group from a production house to one of India's leading news networks with channels such as CNBC TV18, CNBC Awaaz, CNN IBN, IBN7 and IBN Lokmat. Mr Chawla was involved in the launch of Viacom 18's 24-hour general entertainment channel, Colors. Mr Chawla has been with the Investment Manager since its incorporation and his term of office is based on superannuation. Prior to joining the Network 18 Group, he was associated with HCL, Amitabh Bachchan Corporation Limited and the Times of India Group, with experience in launching their music division (Times Music). Mr Chawla holds a Bachelor's degree in Engineering from IIT, Mumbai and a Master's degree in Business Management from IIM, Kolkata.

Sanjeev Manchanda
(Non-executive director)

Mr Manchanda is an advisor to companies across sectors including the entertainment and media sector, providing advice on business plans and strategies, corporate finance, and transition during growth cycles. Mr Manchanda specialises in accessing institutional pools of capital for private equity placements, arrangement of debt, capital market transactions mergers and acquisitions, corporate restructuring, cross border transactions and in taking ownership of the entire process of complicated transactions. He has several years of experience in audit and accounts, taxation, corporate finance, capital markets and corporate and economic laws. Mr Manchanda is a qualified Chartered Accountant of India (FCA), a graduate in Economics from St. Stephens College, University of Delhi and also a graduate in Law from the University of Delhi.

Prachi Desai and Tusshar Kapoor in "Life Partner"

Investment Adviser – India International Film Advisors Private Limited

key personnel

Satish Kaushik, Tannishta Mukherjee, Abhay Deol in "Road, Movie"

Sandeep Bhargava
(Chief executive officer)

Mr Bhargava has over nineteen years' experience in advertising and film production. Prior to joining the Investment Adviser as CEO, he was CEO of Studio 18. 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)

Mr Chaudhuri is an executive director in Network 18. He 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. Mr Chaudhuri has directed music videos, corporate films, advertising films, chat shows, game shows, business shows and an award winning documentary-drama series for television. He handles programme development and design and looks after the creative and technological aspects of production for Network 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, Jamia University, New Delhi.

Manish Thukral *(Chief financial officer)*

Mr Thukral joined as the chief financial officer of the Investment Adviser in September 2007. Mr Thukral has over eighteen 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)*

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.

Report of the Directors

The Directors present their Annual Report and the Audited 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 year ended 31 March 2010.

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, 2008 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.

Following changes to the Guernsey regulatory fund regime, the Company has elected to be an "authorised" closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. This has no impact on the operation of the Company.

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.

Jimmy Mistry, Sally Hawkins, Goldy Notay and Sendhil Ramamurthy in "It's a Wonderful Afterlife"

Results

This was a challenging year for the Group as the Indian film industry suffered in the wake of the global financial crisis. The number of film projects mounted across the Indian film industry as a whole dropped significantly and this resulted in increased competition for quality content, which made films less commercially viable due to the increased prices for those projects.

Revenue

The Consolidated Statement of Comprehensive Income on page 34 shows revenue of £19.88 million (2009: £40.90 million) and a net loss for the year of £4.56 million (2009: profit of £3.89 million).

Net assets

As at 31 March 2010, the Group's consolidated net asset value ("NAV") was £63.56 million (2009: £64.53 million) and the NAV per Ordinary Share was 115.56 pence (2009: 117.32 pence), a decrease of 1.50% in the year.

Dividends

The Company did not pay any dividends in the year under review (2009: nil) and the Directors do not propose a final dividend (2009: nil).

In view of the current financial commitments of the Group, the Directors do not recommend the payment of an interim dividend at this time and will review the position on an ongoing basis.

Intangible assets

Film rights

The carrying value of the Group's exploitation rights and investments in films and films under production (valued at cost less accumulated amortisation and any provision for impairment) as at 31 March 2010 was £45.87 million (2009: £52.06 million) (see note 12).

Whilst the Group amortises film costs using the individual-film-forecast method where 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 financial year, the Group has experienced, based on the operations for the last three years, that 60-70% of the cost of a film is written off within the first twelve months of theatrical release of the film. The Group estimates that a further 5% of the cost should be written off in each of the next four years with the balance being written off in the sixth and seventh years of the film's release.

Material contracts

In addition to acquisition, co-production, production and talent contracts, the Company's material contracts are with Film Investment Managers (Mauritius) Limited (the "Investment Manager"), which acts as Investment Manager, Elysium Fund Management Limited (the "Administrator"), which acts as Administrator and Secretary, Grant Thornton Corporate Finance, which acts as Nominated Adviser, Butterfield Bank (Guernsey) Limited, which acts as Custodian, Elara Capital plc, which acts as Nominated Broker, 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 amended), 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 (the "Investment Adviser") 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.

On 30 March 2010, the Group agreed to a reduction in the management fee from 2% of the opening NAV as at 1 April 2009 to 1% of the opening NAV.

In recognition of the lower fee in relation to the year ended 31 March 2010, the Investment Manager may have the opportunity to earn a fee in excess of 2% for the financial years ending 31 March 2011 and 31 March 2012. Any increase in the fee will be subject to the agreement of the independent Directors and may require consultation with the Group's Nominated Adviser. It is expected that the fee will return to the level of 2% of the opening NAV for the financial year ending 31 March 2013. No agreement had been made to the increase in fee as at the date of signing this report.

Appointment of the Investment Manager

The Directors believe that the Investment Manager performed creditably during the year ended 31 March 2010.

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

Employees

The Group has two employees, who work directly for the Company's Indian Subsidiary, IFC Distribution Private Limited. The employees are responsible for certain banking and legal matters of IFC Distribution Private Limited in relation to domestic productions. During the year ended 31 March 2010, the total cost of these employees to the Group, including expenses, amounted to £57,000 (2009: £3,000).

Taxation

With effect from 1 January 2008, Guernsey abolished the tax exempt company regime for the majority of companies. However, collective investment schemes and closed-ended investment vehicles such as the Company can continue to apply for exempt status for Guernsey tax purposes.

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 Cypriot Subsidiary is charged tax on income at the rate of 10% (2009: 10%).

Diya Mirza and Arshad Warsi in "Hum Tum Aur Ghost"

The Company's Indian Subsidiary is charged tax on income at the rate of 33.99% (2009: 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 Statement of Comprehensive Income as incurred and indirect taxes are included in the Consolidated Statement of Financial Position as payable to or due from the government.

Future prospects

Although the year ended 31 March 2010 was a challenging one for the Group and the Indian film industry, the Indian economy has shown signs of recovery since the start of 2010. The Board and the Investment Manager believe that confidence will return to the market and the Group is well positioned to benefit from the upturn in the market. Further details are given in the Chairman's Statement and the Investment Manager's Report.

Siddharth in "Striker"

Directors

The present members of the Board, who served throughout the year, are listed on pages 16 and 17 and on the inside back cover of this report. In addition, Atul Setia and Deepak Gupta resigned as Directors of the Company on 31 July 2009 and 13 August 2009, respectively.

As at 31 March 2010, the Directors' interests in the Ordinary Share capital of the Company were as follows:

	Ordinary Shares
Shyam Benegal *(Chairman)*	–
Raghav Bahl [1]	44,209,742
Lord Meghnad Desai	–
Alok Verma	–
Peter Radford	10,000

(1) During the year, the Company received a mandatory cash offer (the "Offer") from Network 18 Holdings Limited ("Network 18"), a subsidiary of Network 18 Media & Investments Limited. Raghav Bahl, a Director of the Company, holds 48.60% of the shares (directly and indirectly) of Network 18 Media & Investments Limited. The Offer closed on 7 September 2009 and the Network 18 Parties (together, Network 18, Network 18 Media & Investments Limited and its subsidiaries, BK Media Mauritius Private Limited and Raghav Bahl and his immediate family) now hold 44,209,742 (80.38%) Ordinary Shares in the Company.

There were no changes in the interests of the Directors between 31 March 2010 and the date of signing this report.

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

Significant Shareholders

As at 19 May 2010, the Company had been notified of the following significant Shareholdings:

Beneficial Shareholder	*Number of Ordinary Shares*	*Percentage of share capital*
Raghav Bahl (see note [1] above under the 'Directors' section)	44,209,742	80.38%
Viacom Brand Solutions	2,500,000	4.55%

Authority to buy back Ordinary Shares

Pursuant to the authority granted at the Company's Annual General Meeting held on 29 September 2009, 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 any discount to NAV, at which the Ordinary Shares may 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.

No shares were purchased for cancellation or to be held in Treasury during the year ended 31 March 2010 (2009: nil).

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 on Corporate Governance published by the Financial Reporting Council (the "2008 FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and the Board has 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 2008 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 2008 FRC Code throughout the year, except where indicated below.

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. However, the Board has engaged external companies to undertake the management, advisory, administrative and custodial activities of the Group 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, Nominated Broker 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 Group and that should be brought to the attention of the Directors. The Directors also have access to the Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Group.

The Board has a breadth of experience relevant to the Group, 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 Group.

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 year.

	Board meetings	*Audit Committee meetings*	*Other Committee meetings*
Shyam Benegal *(Chairman)*	2/4	n/a	0/5
Raghav Bahl	3/4	n/a	0/5
Lord Meghnad Desai	3/4	n/a	1/5
Alok Verma	3/4	2/2	3/5
Peter Radford	4/4	2/2	5/5
Atul Setia *(resigned 31 July 2009)*	1/1	n/a	n/a
Deepak Gupta *(resigned 13 August 2009)*	2/2	n/a	n/a

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

The Audit Committee comprises of Alok Verma, as its Chairman, and Peter Radford. The Audit Committee examines the effectiveness of the Group's internal control systems, the annual report and accounts, the half-yearly 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, half-yearly 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 throughout the year 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 quarterly Board meeting from the Administrator.

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 Group. The Board stays abreast of Shareholders' views via regular updates from the Investment Manager and Nominated Broker 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, notwithstanding the current economic climate. 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 and cash equivalents, 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 22 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.

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 year 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 judgments and estimates that are reasonable and prudent;
- state whether International Financial Reporting 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 confirm that the financial statements comply with the above requirements.

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 as amended. 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.


Sendhil Ramamurthy and Goldy Notay in "It's a Wonderful Afterlife"

The Directors are also responsible for the maintenance and integrity of the website on which these consolidated financial statements can be published.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. To the best of our knowledge and belief:

- the financial statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the financial position and results of the Group;
- the Investment Manager's Report includes a fair view of the development, performance and position of the Group during the year; and
- the financial statements include an analysis of the principal risks and uncertainties faced by the Group.

Disclosure of information to Auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Group's Auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

Signed on behalf of the Board.

Shyam Benegal
Director
26 May 2010

Alok Verma
Director
26 May 2010

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 year ended 31 March 2010 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes 1 to 29. 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 262 of The Companies (Guernsey) Law, 2008 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 30.

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, 2008 as amended. We also report to you if, in our opinion, the Company has not kept proper accounting records, if the Company's financial statements are not in agreement with 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 and Investing Policy, Chairman's Statement, Investment Manager's Report, Directors, Investment Manager – key personnel, Investment Adviser – key personnel, the Report of the Directors and the Directors and Advisers. 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 judgments 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 2010 and of the loss of the Group for the year then ended, and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008 as amended.

Ernst & Young LLP
Guernsey
26 May 2010

The maintenance and integrity of The Indian Film Company Limited website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Income			
Revenue	3	19,878	40,896
Cost of sales	4	(21,965)	(34,454)
Gross (loss)/profit		(2,087)	6,442
Expenses and net foreign exchange (losses)/gains			
Management fees	5	(645)	(1,095)
Other expenses	7	(1,574)	(1,179)
Net foreign exchange (losses)/gains		(193)	200
Operating (loss)/profit before interest and tax		(4,499)	4,368
Finance costs	8	(190)	(224)
Finance income	9	128	445
Operating (loss)/profit before tax		(4,561)	4,589
Corporate income tax	10	–	(700)
Net (loss)/profit for the year		(4,561)	3,889
Other comprehensive income:			
Exchange differences on translating foreign operations		3,593	5,867
Other comprehensive income for the year		3,593	5,867
Total comprehensive (loss)/income for the year		(968)	9,756
(Loss)/earnings per Ordinary Share: *basic and diluted*	11	(8.29)p	7.07p

All the items in the above statement are derived from continuing operations.

The accompanying notes on pages 38 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital £'000	Distributable reserve £'000	Foreign exchange translation reserve £'000	Total £'000
At 1 April 2009	–	58,631	5,897	64,528
Net loss for the year	–	(4,561)	–	(4,561)
Other comprehensive income	–	–	3,593	3,593
At 31 March 2010	–	54,070	9,490	63,560

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital £'000	Distributable reserve £'000	Foreign exchange translation reserve £'000	Total £'000
At 1 April 2008	–	54,742	30	54,772
Net profit for the year	–	3,889	–	3,889
Other comprehensive income	–	–	5,867	5,867
At 31 March 2009	–	58,631	5,897	64,528

The accompanying notes on pages 38 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 March 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Exploitation rights	12	30,009	25,294
Investments in films and films under production	12	15,859	26,769
		45,868	52,063
Current assets			
Trade and other receivables	13	16,008	15,746
Prepayments		20	84
Term deposit	14	2,350	2,350
Cash and cash equivalents	15	4,955	937
		23,333	19,117
Total assets		69,201	71,180
Current liabilities			
Trade and other payables	16	(3,643)	(5,095)
Secured loan	17	(1,998)	(1,557)
Total liabilities		(5,641)	(6,652)
Net assets		63,560	64,528
Capital and reserves			
Called-up share capital (no par value)	18	–	–
Distributable reserve		54,070	58,631
Foreign exchange translation reserve		9,490	5,897
Total equity Shareholders' funds		63,560	64,528
Net asset value per Ordinary Share: *basic and diluted*	19	115.56p	117.32p

The financial statements on pages 34 to 59 were approved by the Board of Directors on 26 May 2010 and were signed on its behalf by:

Shyam Benegal
Director
26 May 2010

Alok Verma
Director
26 May 2010

The accompanying notes on pages 38 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Operating activities			
Net (loss)/profit for the year		(4,561)	3,889
Adjustments for:			
Finance costs		190	224
Finance income		(128)	(445)
Corporate income tax expense		–	700
Net cash (outflow)/inflow from operating activities before non-cash items and working capital changes		(4,499)	4,368
Decrease/(increase) in trade and other receivables		4,451	(9,580)
Decrease in prepayments		64	78
(Decrease)/increase in trade and other payables		(2,742)	5,088
Amortisation of intangible assets		16,490	26,124
Intangible assets written-off		945	–
Provision for bad debts		20	43
Amortisation of print costs		–	265
Transfer of investment projects to costs of traded rights		–	1,008
Net cash inflow from operating activities before tax		14,729	27,394
Corporate income tax paid		(2,983)	(3,156)
Net cash inflow from operating activities		11,746	24,238
Investing activities			
Payments for film projects and films under production		(12,461)	(49,651)
Refund of advances		881	551
Interest received		10	399
Purchase of office equipment		(1)	–
Net cash outflow from investing activities		(11,571)	(48,701)
Financing activities			
Proceeds from borrowings	17	647	448
Repayment of borrowings	17	(206)	–
Interest and bank charges paid		(185)	(183)
Payments for term deposit	14	(5)	(82)
Net cash inflow from financing activities		251	183
Increase/(decrease) in cash and cash equivalents		426	(24,280)
Cash and cash equivalents at beginning of year		937	19,349
Increase/(decrease) in cash and cash equivalents		426	(24,280)
Effect of exchange rates on cash and cash equivalents		3,592	5,868
Cash and cash equivalents at end of year	15	4,955	937

The accompanying notes on pages 38 to 59 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 March 2010

1. General information

The Indian Film Company Limited (the "Company") is an authorised closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, domiciled in Guernsey and incorporated as a limited liability company under Guernsey law. 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 created media 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 experiencing.

The consolidated financial statements of the Group for the year ended 31 March 2010 comprise the results of the Company and its Subsidiaries and are available at www.theindianfilmcompany.com

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 IFRS Interpretations Committee 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 year.

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

Significant accounting judgments, 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.

Judgments 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 22.

When assessing the future performance of individual films and therefore determining recoverable amount of the intangible assets, management considers many factors which may have an influence on such assessments.

In particular, management considers macroeconomic factors, the general trends of the media and entertainment industry as a whole, the Indian film industry and the historic performance of films to give an indication of future expected performance.

b) New standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended IFRS. The standards that have had an impact on these financial statements are described below:

IAS 1: Presentation of Financial Statements (effective 1 January 2009)

The amendments to IAS 1 became mandatory for all entities preparing accounts under IFRS. Although the adoption of this amended standard has altered the appearance of the primary financial statements and the comparative information, there has been no change to the measurement and recognition of the Group's assets, liabilities, income and expenses.

2. Significant accounting policies (continued)

b) New standards and interpretations (continued)

IFRS 7: Financial Instruments: Disclosures (effective 1 January 2009)

The adoption of the amendments to IFRS 7 did not have any effect on the financial position or performance of the Group. The standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value hierarchy disclosure is not relevant to the Group. The liquidity risk disclosures are presented in note 22.

IFRS 8: Operating Segments (effective 1 January 2009)

The adoption of IFRS 8 did not have any effect on the financial position or performance of the Group. The Group's reportable segments remain the same as the business segments disclosed in the 31 March 2009 annual accounts. Reported segment results are now required to be based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them. Additional disclosures about the Group's identified segments are shown in note 21.

The IASB and the IFRS Interpretations Committee 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	Presentation of Financial Statements (revised April 2009)	1 January 2010
IAS 7	Statement of Cash Flows (revised April 2009)	1 January 2010
IAS 17	Leases (revised April 2009)	1 January 2010
IAS 24	Related Party Disclosures (revised November 2009)	1 January 2011
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 July 2009
IAS 28	Investments in Associates (revised 2008)	1 July 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 July 2009
IAS 32	Financial Instruments: Presentation (revised 2009)	1 February 2010
IAS 36	Impairment of Assets (revised April 2009)	1 January 2010
IAS 38	Intangible Assets (revised April 2009)	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised July 2008, March 2009 and April 2009)	30 June 2009, 1 July 2009 and 1 January 2010
IFRS 1	First time Adoption of International Financial Reporting Standards (revised November 2008, July 2009 and January 2010)	1 July 2009, 1 January 2010 and 1 July 2010
IFRS 2	Share-based Payment (revised April and June 2009)	1 July 2009 and 1 January 2010
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 5	Non current Assets Held for Sale and Discontinued Operations (revised May 2008 and April 2009)	1 July 2009 and 1 January 2010
IFRS 8	Operating Segments (revised April 2009)	1 January 2010
IFRS 9	Financial Instruments: Classification and Measurement (original issuance November 2009)	1 January 2013

2. Significant accounting policies (continued)

b) New standards and interpretations (continued)

IFRS Interpretations		*Effective date*
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Directors have chosen not to early adopt the above standards and interpretations and it is anticipated that these will not have any significant impact, if any, on the financial position or the financial performance of the Group, although no formal assessment has been carried out.

c) Basis of consolidation
The Group consolidates the financial statements of the Company and its Subsidiary undertakings drawn up to 31 March 2010. The results of the Subsidiary undertakings are accounted for in the Consolidated Statement of Comprehensive Income 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 financial reporting date and their results for the year 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 financial reporting 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 Statement of Comprehensive Income.

The functional currency of the Cypriot Subsidiary is Euros.

The functional currency of the Indian Subsidiary is Indian Rupees.

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 financial reporting 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 translation are recognised within other comprehensive income.

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 all of 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 an agreed consideration; and
- where collection of income is assured.

2. Significant accounting policies (continued)

f) Revenue recognition (continued)
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;
- 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 are charged through the Consolidated Statement of Comprehensive Income 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 held with 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 economic lives, which vary from film to film.

j) Investment in films and films under production
Amounts are paid to producers for the acquisition of rights in film projects. The Group also makes payments to hire key talent for the production of its own films, with such payments reflected as current or non-current assets as appropriate. Amounts due to these producers or key talents in accordance with their contracts, but that are not due for payment as at the financial reporting 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 Group 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 recoverable amount. The amortisation charge is included under cost of sales in the Consolidated Statement of Comprehensive Income.

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. The impairment charge is included under cost of sales in the Consolidated Statement of Comprehensive Income.

2. Significant accounting policies (continued)

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 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 Value Added Tax ("VAT"). Direct tax expense is recognised through the Consolidated Statement of Comprehensive Income as incurred and indirect taxes are included in the Consolidated Statement of Financial Position as payable to or due from the relevant fiscal authority.

p) Deferred taxation
Deferred income tax is provided, using the liability method, on all temporary differences at the financial reporting 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 financial reporting 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 capital
Funds received from the issue of Ordinary Shares are allocated to the distributable reserve in accordance with Guernsey company law.

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

t) Net asset value per share and earnings per share
The net asset value per share disclosed on the face of the Consolidated Statement of Financial Position is calculated by dividing the net assets by the number of Ordinary Shares in issue at the financial reporting date.

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

3. Revenue

	2010 £'000	2009 £'000
Licensing and sale of film rights	19,878	40,896

4. Cost of sales

	2010 £'000	2009 £'000
Amortisation	16,490	26,124
Advertising	2,245	2,916
Print and processing costs	1,289	2,152
DVD manufacturing and other costs	823	561
Commissions and fees	805	988
Distribution, freight and similar costs	313	705
Costs of traded rights	–	1,008
	21,965	34,454

5. Management and administration fees

In consideration for its services under the Investment Management Agreement, the Company pays to Film Investment Managers (Mauritius) Limited (the "Investment Manager") a management fee of 2.00% per annum of the Group's opening net asset value ("NAV") for the relevant year, payable quarterly in advance in Sterling.

On 30 March 2010, the Group agreed to a reduction in the management fee from 2% of the opening NAV to 1% of the opening NAV. In recognition of the lower fee in relation to the year ended 31 March 2010, the Investment Manager may have the opportunity to earn a fee in excess of 2% for the financial years ending 31 March 2011 and 31 March 2012. Any increase in the fee will be subject to the agreement of the independent Directors and may require consultation with the Group's Nominated Adviser. It is expected that the fee will return to the level of 2% of the opening NAV for the financial year ending 31 March 2013. No agreement had been made to the increase in fee as at the date of signing these accounts.

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 Group's 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.

Each performance fee period commences on 1 April and terminates on 31 March in the following year.

No performance fee was payable to the Investment Manager in respect of the year ended 31 March 2010 (2009: nil).

5. Management and administration fees (continued)

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.

In its capacity as Administrator, Elysium Fund Management Limited was entitled to an annual fee of £140,000 until 30 June 2009. With effect from 1 July 2009, the administration fee increased to £150,000 per annum.

During the year a total of £792,781 (2009: £1,220,708) was incurred in respect of management and administration fees split into £645,282 and £147,499 respectively (2009: £1,095,439 and £125,269).

A total of £37,500 was payable at the financial reporting date (2009: £35,000) in respect of administration fees. No management fee was payable at the financial reporting date (2009: nil).

6. Directors' fees

	1 April 2009 to 31 March 2010 £'000	1 April 2008 to 31 March 2009 £'000
Shyam Benegal (Chairman)	20	20
Lord Meghnad Desai	15	15
Alok Verma [1]	18	15
Peter Radford [1]	18	15
Raghav Bahl [2]	–	–
Atul Setia [3]	–	–
Deepak Gupta [3]	–	–
	71	65

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 and Raghav Bahl who were appointed on 19 April 2007.

[1] Alok Verma and Peter Radford each received an additional fee of £3,000 for work undertaken in relation to the Mandatory Cash Offer by Network 18 Media & Investments Limited.

[2] 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.

[3] Atul Setia and Deepak Gupta were appointed to the Board on 30 January 2009 and resigned on 31 July 2009 and 13 August 2009, respectively. No Director's fees were paid to Mr Setia and Mr Gupta during their tenure.

Details of the Directors' interests in the Ordinary Share capital are set out in the Report of the Directors on page 27.

7. Other expenses

	2010 £'000	2009 £'000
Professional fees	239	285
Takeover offer related expenses	162	–
Administration fee (note 5)	147	125
Audit fees	111	123
Directors' fees (note 6)	71	65
Nominated Broker fees	34	40
Nominated Adviser fees	25	25
EGM related expenses	–	60
Other [1]	785	456
	1,574	1,179

[1] Individual items that make up this figure are of an insignificant size and nature.

8. Finance costs

	2010 £'000	2009 £'000
Interest on loans	169	169
Other	21	55
	190	224

Finance costs primarily comprise of interest paid/payable on loans drawn down by the Indian Subsidiary (see note 17) and are charged to the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

9. Finance income

	2010 £'000	2009 £'000
Interest income	128	445
	128	445

Interest income primarily comprises of interest received/receivable on surplus funds held as short-term deposits with banks/custodian 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 Cypriot 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 Statement of Comprehensive Income as incurred and indirect taxes are included in the Consolidated Statement of Financial Position as payable to or due from the relevant fiscal authorities.

Reconciliation of income tax charge:

	2010 £'000	2009 £'000
(Loss)/profit before tax for the year	(4,561)	4,589
Adjustments for:		
Loss at Guernsey Company level (as exempt from Guernsey taxation)	1,244	1,234
Expenses not deductible for tax purposes	12	7
Tax losses carried forward for which no deferred tax asset has been recognised	134	148
Other differences	2	41
Total taxable(loss)/income	(3,169)	6,019
Cyprus taxation	–	602
India taxation	–	98
Total corporate income tax	–	700

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

	2010 £'000	2009 £'000
Net (loss)/profit from operating activities	(4,561)	4,589
Company's Guernsey taxation (as exempt from Guernsey tax)	–	–
Taxation (in India and Cyprus)	–	700
Effective tax rate	n/a	15.26%
Company's Guernsey rate (as exempt from Guernsey tax)	0%	0%
Supplementary overseas taxes at higher rates: – India	33.99%	33.99%
– Cyprus	10%	10%
Effective tax rate	n/a	15.26%

11. Earnings per Ordinary Share – basic and diluted

The basic and diluted earnings per Ordinary Share are based on a net loss for the year of £4.56 million (2009: profit of £3.89 million) and on a weighted average number of 55 million Ordinary Shares in issue throughout the year (2009: 55 million).

12. Intangible assets

2010	Total £'000	Exploitation rights £'000	Investments in films and films under production £'000
Cost			
Balance brought forward at 1 April 2009	76,744	51,931	24,813
Additions	10,024	838	9,186
Transfers	–	18,972	(18,972)
Refund of advances	(1,221)	–	(1,221)
Projects cancelled	(330)	(330)	–
Other costs written off	(945)	(289)	(656)
Balance carried forward at 31 March 2010	84,272	71,122	13,150
Amortisation			
Balance brought forward at 1 April 2009	(31,236)	(31,236)	–
Charge for the year	(16,490)	(16,490)	–
Cumulative amortisation at 31 March 2010	(47,726)	(47,726)	–
Net book amount before foreign exchange adjustment at 31 March 2010	36,546	23,396	13,150
Foreign exchange adjustment	9,322	6,613	2,709
Net book amount at 31 March 2010	45,868	30,009	15,859

2009	Total £'000	Exploitation rights £'000	Investments in films and films under production £'000
Cost			
Balance brought forward as at 1 April 2008	36,309	10,176	26,133
Additions	43,287	–	43,287
Transfers	–	42,020	(42,020)
Refund of advances	(1,521)	–	(1,521)
Sale of traded rights	(1,008)	–	(1,008)
Projects cancelled	(58)	–	(58)
Other costs written off	(265)	(265)	–
Balance carried forward as at 31 March 2009	76,744	51,931	24,813
Amortisation			
Balance brought forward as at 1 April 2008	(5,112)	(5,112)	–
Charge for the year	(26,124)	(26,124)	–
Cumulative amortisation as at 31 March 2009	(31,236)	(31,236)	–
Net book amount before foreign exchange adjustment as at 31 March 2009	45,508	20,695	24,813
Foreign exchange adjustment	6,555	4,599	1,956
Net book amount as at 31 March 2009	52,063	25,294	26,769

13. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	5,647	6,659
Tax deducted at source in India	5,694	3,153
Advance corporate income tax – Cyprus	678	236
Other receivables [1]	3,989	5,698
	16,008	15,746

[1] Other receivables includes balances held by agents which had not been remitted to the Group at the financial reporting date.

14. Term deposit

In December 2007, the Company placed a term deposit with a weekly rollover option of £2.25 million with Bank of Singapore (formerly called ING Singapore) on which the Company receives interest at a floating rate, which stood at 0.30% as at 31 March 2010 (2009: 0.50%). Interest on the deposit is re-invested at the time of each rollover. As at 31 March 2010, the term deposit plus accrued interest amounted to £2.35 million (2009: £2.34 million).

On 12 February 2010, the Company was charged a quarterly renewal fee of £1,688 (17 February 2009: £6,750 annual renewal fee) for the Standby Letter of Credit from Bank of Singapore, which was deducted from the term deposit. The renewal fee is being amortised over the term of the renewal period to which it relates. The unamortised portion of the renewal fee, £835 at the financial reporting date (2009: £5,918), has been added to the term deposit.

Bank of Singapore has a lien on the term deposit (see note 17).

15. Cash and cash equivalents

	2010 £'000	2009 £'000
Cash placed with Custodian	4,766	852
Cash at bank	189	85
	4,955	937

16. Trade and other payables

	2010 £'000	2009 £'000
Deferred income	748	1,598
Current corporate income tax payable	1,010	946
Other payables and accruals	1,885	2,551
	3,643	5,095

17. Secured loan

	2010 £'000	2009 £'000
Secured loan	1,998	1,557

The secured loan was entered into 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 collateral security in the form of a Standby Letter of Credit from Bank of Singapore which has been issued against a term deposit of £2.35 million held by the Company (see note 14).

There are no set repayment terms and the floating interest rate payable at the financial reporting date was 10.15% per annum (2009: 13.25% per annum).

18. Share capital

	2010 £'000	2009 £'000
Authorised:		
Unlimited Ordinary Shares of no par value each	–	–
Allotted, called-up and fully paid:		
55 million Ordinary Shares of no par value each	–	–

19. Net asset value per Ordinary Share

The net asset value per Ordinary Share as at 31 March 2010 is based on the net assets attributable to equity Shareholders of £63.56 million (2009: £64.53 million) and on 55 million Ordinary Shares in issue at the end of the year (2009: 55 million).

20. Investment in Subsidiaries

The Company held interests in the following Subsidiaries at 31 March 2010, which remain unchanged from the previous year:

Name	Country of incorporation	Principal activities	Holding
The Indian Film Company (Cyprus) Limited	Cyprus	Production, acquisition, sale and distribution of Indian films worldwide	100%
IFC Distribution Private Limited	India	Production, acquisition, sale and distribution of Indian films worldwide	100%

21. Segmental analysis

In accordance with IFRS 8: *Operating Segments*, it is mandatory for the Group to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

The Board has identified the Group's operating segments as the "acquisition and co-production of Indian films and related content" and the "production of Indian films and related content", which follows the operational models employed by the Group. The acquisition and co-production segments have been aggregated into one reportable segment due to the commercial similarity of the film agreements entered into by the Group.

Information about reportable segments for the year ended 31 March 2010

	Acquisitions and co-productions £'000	Productions £'000	Total £'000
Revenue	19,733	145	19,878
Amortisation	(16,409)	(81)	(16,490)
Other costs of sales	(5,335)	(140)	(5,475)
Reportable segment loss before tax [1]	(2,069)	(76)	(2,145)
Exploitation rights and investments in films and films under production	37,579	8,289	45,868
Reportable segment total assets [2]	53,864	8,452	62,316
Reportable segment total liabilities [3]	(2,339)	(1,992)	(4,331)

21. Segmental analysis (continued)

Information about reportable segments for the year ended 31 March 2009

	Acquisitions and co-productions £'000	Productions £'000	Total £'000
Revenue	40,896	–	40,896
Amortisation	(26,124)	–	(26,124)
Other costs of sales	(8,330)	–	(8,330)
Reportable segment profit before tax [1]	6,293	–	6,293
Exploitation rights, investments in films and films under production	47,308	4,755	52,063
Reportable segment total assets [2]	65,387	4,755	70,142
Reportable segment total liabilities [3]	(5,221)	–	(5,221)

	2010 £'000	2009 £'000
[1] *Reconciliation of reportable segment (loss)/profit before tax*		
Total (loss)/profit before tax for reportable segments	(2,145)	6,293
Other corporate expenses	(2,219)	(2,274)
Other profit or loss (including gain or loss on foreign currency exchange)	(197)	570
Consolidated operating (loss)/profit before tax	(4,561)	4,589
[2] *Reconciliation of reportable segment total assets*		
Total assets for reportable segments	62,316	70,142
Other corporate assets	6,885	1,038
Consolidated total assets	69,201	71,180
[3] *Reconciliation of reportable segment total liabilities*		
Total liabilities for reportable segments	(4,331)	(5,221)
Other corporate liabilities	(1,310)	(1,431)
Consolidated total liabilities	(5,641)	(6,652)

Geographic information
Revenue from external customers

	2010 £'000	2009 £'000
India	15,266	35,623
Other	4,612	5,273
Total revenue per Consolidated Statement of Comprehensive Income	19,878	40,896

The revenue information above is based on the location of the customer.

Revenue from one customer of the Group's acquisitions and co-productions segment (£5.60 million) and productions segment (£0.48 million) amounted to a total of £6.08 million of the Group's total revenue.

Revenue from another customer of the Group's acquisitions and co-productions segment (£2.34 million) and productions segment (£0.34 million) amounted to a total of £2.68 million of the Group's total revenue.

21. Segmental analysis (continued)

Non-current assets

	31 March 2010 £'000	31 March 2009 £'000
India	41,281	46,348
Other	4,587	5,715
Total	45,868	52,063

22. 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 mainly arises 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.

At the Company's AGM held on 29 August 2008, a resolution was passed to amend the investment policies and restrictions set out in the Admission Document by increasing the limit on the amount of a single investment in a film project from 20% of the Group's NAV at the time of the investment to 30%. This has enabled the Group to remain competitive in a time of increased competition and rising costs in the Indian film industry. There is an increased risk arising from the significant financial commitment required to run these cornerstone film projects and, as a result, the Group has an increased reliance on the success of these film projects. In the event that a cornerstone project did not meet expectations, there is a risk that such a project could incur a material loss.

The Group manages this risk by appropriately sourcing and selecting film projects that it believes are correctly priced, forecast demand is realistic and achievable and therefore has a greater chance of success. In addition, cornerstone films are easier to distribute and pre-sell because of the high demand for the high profile talent involved. This results in a high proportion of associated rights being sold before the cornerstone film is released. It is the Group's policy not to invest in more than two to four cornerstone film projects in any one year.

Agreement on revenue sharing terms with multiplex owners

As detailed in the 31 March 2009 annual report, the Group was pleased to have reached an agreement on the revenue sharing terms between the United Producers and Distributors Forum ("UPDF") and the key multiplex cinema chains in India, which, over the long-term, the Directors believe will benefit the Group with increased revenues from the domestic box office. However, the two month long negotiations with the multiplex owners resulted in a delay in the planned release of films. This industry-wide delay resulted in the release of all films being concentrated into a shorter, highly competitive, period for release. As a result, the Investment Manager believes that this had an adverse effect on the Group's revenues from the domestic box office during the year.

22. Risk profile (continued)

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. Exposure to foreign exchange rate movements is reduced by matching foreign currency revenues and costs. The Group's major revenues are denominated in Indian Rupees, which are matched 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.

The Group's total exposure to foreign currencies at the financial reporting date was as follows:

Currency split as at 31 March 2010

	Total £'000	GBP £'000	INR £'000	USD £'000
Financial assets:				
Trade and other receivables	16,008	188	15,715	105
Cash and cash equivalents	4,955	2,968	147	1,840
Term deposit	2,350	2,350	–	–
Total financial assets	23,313	5,506	15,862	1,945
Non-financial assets:				
Exploitation rights, investments in films and films under production	45,868	3,524	42,344	–
Prepayments	20	20	–	–
Total non-financial assets	45,888	3,544	42,344	–
Total assets	69,201	9,050	58,206	1,945
Financial liabilities:				
Trade and other payables	(2,895)	(96)	(2,755)	(44)
Secured loan	(1,998)	–	(1,998)	–
Total financial liabilities	(4,893)	(96)	(4,753)	(44)
Non-financial liabilities:				
Trade and other payables	(748)	–	(748)	–
Total non-financial liabilities	(748)	–	(748)	–
Total liabilities	(5,641)	(96)	(5,501)	(44)
Net assets	63,560	8,954	52,705	1,901
Net exposure to currency	100.00%	14.09%	82.92%	2.99%

22. Risk profile (continued)

Currency split as at 31 March 2009

	Total £'000	GBP £'000	INR £'000	USD £'000
Financial assets:				
Trade and other receivables	15,746	236	15,183	327
Cash and cash equivalents	937	912	13	12
Term deposit	2,350	2,350	–	–
Total financial assets	19,033	3,498	15,196	339
Non-financial assets:				
Exploitation rights, investments in films and films under production	52,063	1,067	50,996	–
Prepayments	84	84	–	–
Total non-financial assets	52,147	1,151	50,996	–
Total assets	71,180	4,649	66,192	339
Financial liabilities:				
Trade and other payables	(3,497)	(922)	(2,575)	–
Secured loan	(1,557)	–	(1,557)	–
Total financial liabilities	(5,054)	(922)	(4,132)	–
Non-financial liabilities:				
Trade and other payables	(1,598)	–	(1,598)	–
Total non-financial liabilities	(1,598)	–	(1,598)	–
Total liabilities	(6,652)	(922)	(5,730)	–
Net assets	64,528	3,727	60,462	339
Net exposure to currency	100.00%	5.78%	93.70%	0.52%

Sensitivity analysis

A 10% weakening/strengthening of Sterling against each currency at the financial reporting date would have increased/(decreased) the net assets attributable to holders of Ordinary Shares and the profit/loss before tax for the year per the Consolidated Statement of Comprehensive Income by the amounts shown below. This analysis reflects the effects of foreign exchange movements on both monetary and non-monetary financial instruments and assumes that all other variables remain constant and is performed on the same basis as for the comparative period.

A movement of 10% has been used for the analysis as this is deemed a reasonably possible movement in foreign exchange rates, based on their volatility over the course of the year ended 31 March 2010. The analysis has been revised for 31 March 2009 to show a 10% weakening/strengthening of Sterling against each currency (previously 5%).

22. Risk profile (continued)

The effect of a weakening of Sterling by 10% against each currency:

	Effect on profit before tax 31 March 2010 £'000	Effect on net assets 31 March 2010 £'000	Effect on profit before tax 31 March 2009 £'000	Effect on net assets 31 March 2009 £'000
Indian Rupee	19	8,425	20	6,865
US Dollar	–	341	–	38
Total	19	8,766	20	6,903

The effect of a strengthening of Sterling by 10% against each currency:

	Effect on profit before tax 31 March 2010 £'000	Effect on net assets 31 March 2010 £'000	Effect on profit before tax 31 March 2009 £'000	Effect on net assets 31 March 2009 £'000
Indian Rupee	(19)	(2,689)	(20)	(5,377)
US Dollar	–	(67)	–	(31)
Total	(19)	(2,756)	(20)	(5,408)

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.

The below maturity analysis allocates financial liabilities to the earliest period that the Group can be reasonably required to pay. However, the Group can manage the liquidity risk by paying some of its liabilities later than the earliest date required, but within any imposed credit terms.

The Group had undrawn committed facilities at 31 March 2010 of £1.68 million (2009: £1.88 million). The undrawn committed facility is provided by ING Vysya Bank Limited (note 17) and drawdown is subject to certain conditions being met.

Maturity analysis for financial liabilities as at 31 March 2010

	Total £'000	Not later than one month £'000	Later than one month and not later than three months £'000
Trade and other payables	3,643	372	3,271
Secured loan	1,998	1,998	–
Total	5,641	2,370	3,271

Maturity analysis for financial liabilities as at 31 March 2009

	Total £'000	Not later than one month £'000	Later than one month and not later than three months £'000
Trade and other payables	5,095	204	4,891
Secured loan	1,557	1,557	–
Total	6,652	1,761	4,891

22. Risk profile (continued)

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 or deposited in short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. 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.

Interest rate risk profile of assets and liabilities – 2010

Assets as at 31 March 2010

	Total as per Consolidated Statement of Financial Position £'000	Floating rate £'000	Non-interest bearing assets £'000
Financial assets:			
Trade and other receivables	16,008	–	16,008
Cash and cash equivalents	4,955	4,808	147
Term deposit	2,350	2,350	–
Total financial assets	23,313	7,158	16,155
Non-financial assets:			
Exploitation rights, investments in films and films under production	45,868	–	45,868
Prepayments	20	–	20
Total non-financial assets	45,888	–	45,888
Total assets	69,201	7,158	62,043

Liabilities as at 31 March 2010

	Total as per Consolidated Statement of Financial Position £'000	Floating rate £'000	Non-interest bearing liabilities £'000
Financial liabilities:			
Trade and other payables	(2,895)	–	(2,895)
Secured loan	(1,998)	(1,998)	–
Total financial liabilities	(4,893)	(1,998)	(2,895)
Non-financial liabilities:			
Trade and other payables	(748)	–	(748)
Total non-financial liabilities	(748)	–	(748)
Total liabilities	(5,641)	(1,998)	(3,643)

22. Risk profile (continued)

Interest rate risk profile of assets and liabilities – 2009

Assets as at 31 March 2009

	Total as per Consolidated Statement of Financial Position £'000	Floating rate £'000	Non-interest bearing assets £'000
Financial assets:			
Trade and other receivables	15,746	–	15,746
Cash and cash equivalents	937	924	13
Term deposit	2,350	2,350	–
Total financial assets	19,033	3,274	15,759
Non-financial assets:			
Exploitation rights, investments in films and films under production	52,063	–	52,063
Prepayments	84	–	84
Total non-financial assets	52,147	–	52,147
Total assets	71,180	3,274	67,906

Liabilities as at 31 March 2009

	Total as per Consolidated Statement of Financial Position £'000	Floating rate £'000	Non-interest bearing liabilities £'000
Financial liabilities:			
Trade and other payables	(3,497)	–	(3,497)
Secured loan	(1,557)	(1,557)	–
Total financial liabilities	(5,054)	(1,557)	(3,497)
Non-financial liabilities:			
Trade and other payables	(1,598)	–	(1,598)
Total non-financial liabilities	(1,598)	–	(1,598)
Total liabilities	(6,652)	(1,557)	(5,095)

A one percentage point increase in the rate of interest receivable/payable on floating rate balances at the financial reporting date would have had the following effect:

	31 March 2010 £'000	31 March 2009 £'000
Finance cost	+ 20	+ 16
Finance income	+ 73	+ 33

A one percentage point decrease in the rate of interest receivable/payable on floating rate balances at the financial reporting date would have had an equal but opposite effect.

22. Risk profile (continued)

Credit risk

Credit risk is 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 financial reporting date.

At the financial reporting date, 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;
- Term deposit and cash and cash equivalents – funds are placed with reputable banks/institutions and the Group is of the opinion that no provision for loss of funds held by those banks/institutions is required; and
- Trade and other receivables – provision for trade receivables is made when there is objective evidence that the Group will be unable to recover balances in full.

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 Statement of Financial Position 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 2010 £'000	31 March 2009 £'000
Exploitation rights, investments in films and films under production	45,868	52,063
Trade receivables	5,647	6,659
Other receivables	3,989	5,698
	55,504	64,420

23. 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.

At the financial reporting date, the Group held a secured loan of £2.00 million (2009: £1.56 million). As disclosed in the Consolidated Statement of Financial Position, total equity Shareholders' funds as at 31 March 2010 were £63.56 million (2009: £64.53 million).

24. Contingent liabilities

The secured loan, detailed in note 17, 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 Bank of Singapore issued against the term deposit, detailed in note 14.

The Group had no other contingent liabilities as at 31 March 2010 (2009: nil).

25. Capital commitments

Commitments not provided for as at 31 March 2010 amounted to £13.42 million (2009: £20.63 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.

26. Duration of the Company

The Company does not have a fixed life.

27. Subsequent events

There were no material subsequent events.

28. Related parties

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

During the year, the Company received a mandatory cash offer (the "Offer") from Network 18 Holdings Limited ("Network 18"), a subsidiary of Network 18 Media & Investments Limited. Raghav Bahl, a Director of the Company, holds 48.60% of the shares (directly and indirectly) of Network 18 Media & Investments Limited. Network 18 Media & Investments Limited subscribed to 10,000,000 Ordinary Shares in the Company as part of the Placing at the time of admission to trading on AIM.

The Offer was at 40 pence per share for the entire issued share capital of the Company. As at the date of announcement of the Offer on 30 July 2009, the Network 18 Parties (together, Network 18 Holdings Limited, Network 18 Media & Investments Limited and its subsidiaries, BK Media Mauritius Private Limited and Raghav Bahl and his immediate family) held, in aggregate, 19,813,500 shares in the Company, equating to 36.02% of the Company's issued share capital.

The Offer closed on 7 September 2009 and the Network 18 Parties' holding in the Company stood at 44,209,742, being 80.38% of the Company's issued share capital.

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 at the time of admission to trading on AIM.

Viacom 18 Media Private Limited is a 50:50 joint venture between Network 18 Group and Viacom Inc. Studio 18 was a division of Network 18 Media & Investments 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.

Network 18 is the immediate parent of the Company and Raghav Bahl, a Director of the Company, is deemed to be the ultimate controlling party.

28. Related parties (continued)

Related party	Details of transactions	Income/(charges) 1 April 2009 to 31 March 2010 £'000	Amounts owed by/(to) related parties 31 March 2010 £'000
Film Investment Managers (Mauritius) Limited	Management fees	(645)	–
Viacom 18 Media Private Limited (India)	Distribution commission, supervision fees, legal fees and other advisory fees	(999)	1,646
Viacom 18 Media Private Limited (UK)	Distribution commission, supervision fees, syndication fees and other services	(83)	145
Viacom 18 Media Private Limited (USA)	Distribution commission, supervision fees, legal and other services	(25)	119
Viacom 18 Media Private Limited	Licensing of film rights	2,686	20
Viacom 18 Media Private Limited	Advertisement expenses	(78)	(29)
Viacom 18 Media Private Limited	Line producers' fees and other expenses	(290)	(1,076)

No provision for doubtful debts was made during the year for balances due from related parties. The total provision for balances due from Viacom 18 Media Private Limited, relating to theatrical revenue due from distributors/exhibitors was £7,000 as at 31 March 2010.

Related party	Details of transactions	Income/(charges) 1 April 2008 to 31 March 2009 £'000	Amounts owed by/(to) related parties 31 March 2009 £'000
Network 18 Media & Investments Limited	Purchase of film rights, distribution commission and interest	–	64
Film Investment Managers (Mauritius) Limited	Management fees	(1,095)	–
Viacom 18 Media Private Limited	Distribution commission, supervision fees and legal services	(1,280)	3,675
Viacom 18 Media Private Limited	Licensing of film rights	3,203	468
Viacom 18 Media Private Limited	Advertisement expenses	(103)	50

A provision of £2,000 for doubtful debts was made during the year for balances due from Viacom 18 Media Private Limited, relating to theatrical revenue due from distributors/exhibitors. There was no provision brought forward from previous years.

29. Fair value of financial instruments

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the third ANNUAL GENERAL MEETING of THE INDIAN FILM COMPANY LIMITED will be held at No. 1, Le Truchot, St Peter Port, Guernsey GY1 3JX on 11 October 2010 at 10:15am for the following purposes:

Resolution on form of proxy

As ordinary business:

Ordinary Resolution 1
To receive and, if thought fit, to accept the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2010.

Ordinary Resolution 2
To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix the remuneration of the Auditors.

Ordinary Resolution 3
To re-elect Alok Verma who offers himself for re-election, as a Director.

As special business:

Ordinary Resolution 4
That the Company renew its authority and is hereby generally and unconditionally authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008 as amended, to make market purchases, as defined in that Law, of and cancel its Ordinary Shares of no par value, provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 8,244,500;

(ii) the minimum price which may be paid for an Ordinary Share shall be £0.01;

(iii) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from and calculated by reference to the London Stock Exchange Alternative Investment Market Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

(iv) the price paid per Ordinary Share shall be less than the net asset value per Ordinary Share;

(v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2011, unless the authority is renewed prior to such time; and

(vi) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

Ordinary Resolution 5
To authorise the Company to utilise electronic communication methods to distribute information, including the annual audited accounts and the half-yearly report to its Shareholders.

By order of the Board

Registered office:
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

Elysium Fund Management Limited, *Secretary*

26 May 2010

A Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her stead provided that each proxy is appointed to exercise the rights attached to different share or shares held by him or her. A proxy need not also be a Shareholder of the Company. To be effective, forms of proxy must be lodged with the Company Secretary, Elysium Fund Management Limited, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a Shareholder from attending the meeting and voting in person.

Note:
The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

a) A statement of Directors' interests in the Ordinary Share capital of the Company; and

b) The Articles of Incorporation.

Notes

Form of Proxy

For use at the ANNUAL GENERAL MEETING (Block capitals please)

I/We, the undersigned ....

of..

being a Shareholder/Shareholders of The Indian Film Company Limited, hereby appoint the Chairman of the meeting/

....

as my/our proxy to vote for me/us on my/our behalf at No. 1, Le Truchot, St Peter Port, Guernsey, GY1 3JX on 11 October 2010 at 10:15am and at any adjournment thereof and at his discretion on any other matter arising at such meeting.

Signature .... Dated ....

Please indicate with an **X** in the spaces below how you wish your votes to be cast.

Ordinary business:		For	Against	Abstain
Ordinary Resolution 1	To receive and, if thought fit, to adopt the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2010.			
Ordinary Resolution 2	To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix the remuneration of the Auditors.			
Ordinary Resolution 3	To re-elect Alok Verma who offers himself for re-election, as a Director.			
Special business:		**For**	**Against**	**Abstain**
Ordinary Resolution 4	The Company be authorised to renew its authority to buy back its own Ordinary Shares for cancellation.			
Ordinary Resolution 5	To authorise the Company to utilise electronic communication methods to distribute information, including the annual audited accounts and the half-yearly report to its Shareholders.			

Notes

1. A Shareholder may appoint a proxy of his or her own choice. If such an appointment is made, delete the words 'the Chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.

To be valid, this form must be completed and deposited with the Company Secretary, Elysium Fund Management Limited, not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

Third fold and tuck in

Affix stamp here

Elysium Fund Management Limited
PO Box 650
No. 1 Le Truchot
St Peter Port
Guernsey, GY1 3JX

First Fold

Second fold

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)*

Advisers

Registered Office
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St Peter Port
Guernsey
GY1 3JX

Nominated Adviser
Grant Thornton Corporate Finance
30 Finsbury Square
London
EC2P 2YU
United Kingdom

Administrator and Secretary
Elysium Fund Management Limited
PO Box 650
2nd Floor
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

Advocates
as to Guernsey law:
Carey Olsen
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Investment Manager
Film Investment Managers
(Mauritius) Limited
608 St James Court
St Denis Street
Port Louis
Republic of Mauritius

Nominated Broker
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London
NW1 5JX
United Kingdom

Auditors
Ernst & Young LLP
PO Box 9
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 4AF

Solicitors
as to English law:
Stephenson Harwood
One St Paul's Churchyard
London
EC4M 8SH
United Kingdom

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India International Film Advisors
Private Limited
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Commercial Tower
Hotel Le Meridien
Raisina Road
New Delhi 110 001
India

Registrar
Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampsons
Guernsey
GY2 4JN

Tax Adviser – India
BMR & Associates
3F Contractor Building
41 R Kamani Marg
Ballard Estate
Mumbai 400 001
India

Custodian
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