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The Indian Film Company Limited

The response of the Independent Directors

to the

Mandatory Cash Offer by Network 18 Holdings Limited

REJECT THE MANDATORY CASH OFFER

Elara Capital PLC, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as joint adviser to the Company and no one else in connection with the matters referred to herein and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to Network 18 Holdings Limited's Offer, the contents of this document or any transaction or arrangement or other matter referred to herein.

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Capitalised terms which appear in this document have, save as otherwise indicated, the meanings set out in Appendix 2 to this document on page 16.

The sources and bases for information in this document are set out in paragraph 9 of Appendix 1 of this document on page 14.

FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may include certain "forward-looking statements". These statements are based on the current expectations of the Independent Directors and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained herein may include statements about the expected effects on the Indian Film Company of the Offer, the expected timing and scope of the Offer, strategic options and all other statements in this document, other than historical facts. Without limitation, any statements preceded or followed by or that include the words "targets", "plans" "believes", "expects", "aims", "intends", "will", "may", "should", "could", "would", "can", "continue", "opportunity", "anticipates", "estimates", "projects" or, words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements involve risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Company's abilities to control or estimate precisely, such as: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the Indian Film Company's operations and potential synergies resulting from the Offer; and (iii) the effects of government regulation on the Indian Film Company's business. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Offer, changes in economic conditions, changes in the level of capital investment, success of business and operating initiatives and restructuring objectives, changes in consumer habits and preferences, competitive product and pricing pressures, customers' strategies and stability, changes in the regulatory environment, fluctuations in interest and exchange rates, the outcome of litigation, government actions and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. The Indian Film Company does not assume any obligation nor does it intend to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

DEALING DISCLOSURE REQUIREMENTS

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, "interested" (directly or indirectly) in one per cent. or more of any class of "relevant securities" of the Indian Film Company, all "dealings" in any "relevant securities" of the Indian Film Company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant transaction. This requirement will continue until the date on which the Offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of the Indian Film Company they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all "dealings" in "relevant securities" of the Indian Film Company by Network 18, or the Indian Film Company or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has a long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks in this section are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to the application of Rule 8 to you, please consult the Panel on telephone number +44 (0)20 7382 9026; fax +44 (0)20 7638 1554.

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LETTER FROM THE CHAIRMAN ON BEHALF OF THE INDEPENDENT DIRECTORS

The Indian Film Company Limited

(Incorporated in Guernsey with registered number 46723)

Independent Directors:

Shyam Benegal *(Chairman and non-executive director)*

Lord Meghnad Desai *(non-executive director)*

Alok Verma *(non-executive director)*

Peter Radford *(non-executive director)*

Registered Office:
2nd Floor
No. 1 Le Truchot
St. Peter Port
Guernsey
GY1 3JX
Channel Islands

14 August 2009

To Shareholders (and, for information purposes only, to persons with information rights).

Dear Shareholder,

REJECT THE MANDATORY CASH OFFER BY NETWORK 18 HOLDINGS LIMITED

On 4 August 2009, we wrote to you enclosing a copy of the announcement of the mandatory cash offer by Network 18 for the Company and a copy of the Company's announcement recommending that the Shareholders take no action in respect of the Offer.

This letter explains the reasons why the Independent Directors believe that the Offer undervalues the Company and that Shareholders should therefore reject the Offer.

Offer at an undervalue

The Offer represents:

- a nominal premium of approximately 1.2 per cent. to the Closing Price of 39.5 pence on 29 July 2009, being the latest practicable date prior to the announcement of the Offer;
- no premium to the Closing Price of 40 pence on 13 August 2009, being the latest practicable date prior to the posting of this response; and
- a discount of approximately 66 per cent. to the net asset value of 117.32 pence per Share as at 31 March 2009, being the date of the last audited balance sheet of the Company.

The Independent Directors believe that any takeover offer for the Company should reflect an appropriate premium to the prevailing price of an Indian Film Company Share prior to the announcement of such an offer and note that the 40 pence per share offer from Network 18 represents a significant discount to the most recently published net asset value per Indian Film Company Share.

The Independent Directors recognise that the liquidity of the Indian Film Company Shares has been low and that certain Shareholders may, therefore, wish to use the Offer as an opportunity to crystallise their investment. However, the Independent Directors are firmly of the view that the Offer undervalues the Indian Film Company Shares and that, although there can be no certainty that Shareholders who wish to sell in future will be able to sell at a price of 40 pence or higher, Shareholders with a medium to long term investment strategy should retain their Indian Film Company Shares at this time. The Independent Directors believe that the Offer undervalues the Indian Film Company's business, assets, goodwill and prospects.

The Independent Directors unanimously recommend Shareholders not to accept the Network 18 Offer and they do not intend to accept the Offer in respect of their own beneficial holdings, which are in aggregate 10,000 Indian Film Company Shares.

In light of the upwards movement in the share price of the Company following the release of the audited accounts of the Company for the year ended 31 March 2009, an offer of 40 pence per Share does not represent a premium over the market price of an Indian Film Company Share. Indeed, Shareholders should be aware that, it was for this reason that the Board decided not to proceed to recommend an indicative partial offer which Network 18 had tabled before the Board in June 2009 to acquire Indian Film Company Shares at a price of 40 pence per Indian Film Company Share which was intended to result in Network 18 holding 51 per cent. of the issued share capital of the Company.

Indian Film Company – Key Information

The Indian Film Company was incorporated in Guernsey on 4 April 2007 and established as a closed ended investment fund to make investments in both Indian films and films primarily targeted at the Indian audience. The Indian Film Company Shares were admitted to trading on AIM on 18 June 2007. The Indian Film Company operates as an externally managed Indian-focused motion picture company with outsourced production and distribution functions. The Indian Film Company was specifically created to invest in a portfolio of Indian films and films primarily targeted at the Indian audience across different genres, languages and budgets.

The year ended 31 March 2009 was an important year for the Group with eight films being released and nine films going into production to be released in the year ending 31 March 2010. The Indian Film Company Group recorded a net profit for the year ended 31 March 2009 of £3.89 million (period to 31 March 2008: £1.96 million) giving earnings per share of 7.07 pence (2008: 3.56 pence). The Indian Film Company Group's net asset value as at 31 March 2009 was 117.32 pence per Indian Film Company Share (2008: 99.59 pence). The year-ended 31 March 2009 saw the Group release a mix of acquired and co-produced content. The Group's production and co-production projects have progressed well and some of these will be released in the current financial year. In addition, the Group has focused more on mounting its own productions in order to generate higher margins and profitability. The Group has recruited talented directors with established track records who are working on projects in various stages of production including scripting, casting, shooting and post production.

However, the Independent Directors note that trading in the current economic environment continues to be very challenging with several external factors, such as the Mumbai terror attacks, affecting the Company's overall performance. The Independent Directors also note that the Company has two films currently on release and, whilst there can be no certainty as to the total return that these films will realise, at this time the Independent Directors do not anticipate that these films will perform as well as originally expected and, therefore, the Directors believe they will be loss making investments for the Company.

The Independent Directors believe that, despite the above factors and the uncertainty over the films currently on release, the track record of the Company since inception supports their belief that the continued growth opportunities of the Company remain strong. The Company continues to invest in

appropriate projects which are expected to provide strong returns and increase shareholder value in the medium to long-term.

The Independent Directors consider that the growth prospects and plans for delivery of shareholder value support a case for a premium rating for the Indian Film Company.

Independent Directors

The Independent Directors of the Company for the purposes of the Offer are Shyam Benegal, Lord Meghnad Desai, Alok Verma and Peter Radford.

Network 18 is a company in which Raghav Bahl, who is a non-executive director of the Indian Film Company, has material interests as described further below under "Information on Network 18". Raghav Bahl has, accordingly, not taken part in the Board's consideration of the Offer and this letter contains the views and recommendations of the Independent Directors alone.

On 31 July 2009, Atul Setia tendered his resignation from the Board of the Indian Film Company as a result of Altima India Master Fund Limited ceasing to have an aggregate interest in 10 per cent. or more of the Indian Film Company's issued share capital.

On 12 August 2009, Deepak Gupta tendered his resignation from the Board of the Indian Film Company which became effective on 13 August 2009.

Information on Network 18

Network 18 is a company incorporated in the Cayman Islands and is a subsidiary of Network 18 Media, a company quoted on both the National Stock Exchange and the Bombay Stock Exchange of India.

Raghav Bahl and his relatives control over 51 per cent. of the issued share capital of Network 18 Media and therefore Mr. Bahl has a material interest in the outcome of the Offer. If the Offer were to become unconditional, the Company would become a subsidiary of Network 18 and an indirect subsidiary of Network 18 Media.

Possible consequences on the Indian Film Company's business of Network 18 gaining a controlling interest

The Independent Directors note the following statement (drawn without material adjustment, save for the emphasis in the text below) from the Offer Document:

"Network 18 has no current plans to change the current strategy of The Indian Film Company or the location of The Indian Film Company's operational places of business, **although this will be kept under review** with a view to maximising value for shareholders."

The Independent Directors believe that the current operational strategy and investing policy of the Company as outlined in the audited accounts of the Company for the year ended 31 March 2009 continues to be a strong plan aimed at delivering value and achieving growth for the Company. The Indian Film Company is a relatively young Company and it has yet to fulfil a number of the strategies and realise a number of the opportunities that were outlined at the time of its admission to AIM. The Independent Directors believe that the Company should be given the opportunity to do so.

The Independent Directors do note that a number of the Company's competitors are part of larger media or entertainment groups which in some cases have brought advantages to their competitor's businesses as they have been able to leverage off the efficiencies, contacts and networks of the larger corporate groups that they belong to. In this regard, the Independent Directors note that Network 18

has stated that it "anticipates that if it, and its concert parties, owned a controlling interest in The Indian Film Company, this would lead to greater traction with all film industry participants such as Producers, Directors, Artists, Distributors and Exhibitors and would allow a more direct association with the branding that the Network 18 Group enjoys in the media industry, and would also result in a better access to capital on the strength of Network 18 Group's track record with the financial community".

Whilst the Independent Directors consider that it would be in the best interests of all Shareholders for the Company to leverage off these stated benefits with Network 18 remaining as a significant shareholder as opposed to a controlling shareholder, they note that Network 18 has stated that the full benefits of directly and openly leveraging its strengths, can only be achieved by Network 18 becoming a controlling shareholder.

The Independent Directors also note that whilst Network 18's anticipated benefits of the Indian Film Company being consolidated as a Network 18 group company as noted in the extract from the Offer Document above may result in benefits to the Company, Network 18 has not provided specific details of how it proposes in practice to generate this greater traction and allow the Company to leverage off its strengths.

Continuation of quotation on AIM

The Independent Directors continue to believe that it is in the best interests of Shareholders to retain the Indian Film Company's quotation on AIM.

Shareholders should be aware that Network 18 has stated that, subject to it obtaining a controlling interest in the Company, its intention is that the Company will continue with its quotation on AIM. **However, Shareholders should note that they could become minority shareholders in a controlled company, which may have an adverse impact on the liquidity and marketability of the reduced number of Shares that are held in public hands.**

Further, Shareholders should note that Network 18 has stated that if it acquires such number of Indian Film Company Shares that results in the Network 18 Parties owning more than 75 per cent. of the Company's issued share capital, Network 18 has reserved the right to consider all its options and this may include cancellation of the Indian Film Company's quotation on AIM. It is important for Shareholders to note that, if the Indian Film Company's quotation is cancelled at some future date, it may not be possible for Shareholders to realise as much as 40 pence per Indian Film Company Share, should they so wish, before the quotation is cancelled and Shareholders might find themselves as minority shareholders in an unquoted company. **Cancellation of the quotation on AIM would significantly reduce the liquidity and marketability of Indian Film Company Shares not acquired by Network 18.**

Shareholders should be aware that Network 18 has stated that in the event it acquires 90 per cent. or more of the shares to which the Offer relates (which would exclude any shares currently owned by Network 18 and the Network 18 Parties), it intends to exercise its rights under sections 336 to 338 (inclusive) of the Companies (Guernsey) Law 2008 (as amended) to compulsorily acquire the remaining shares of any Shareholder who did not accept the Offer.

Management and employees

The Independent Directors note the following statements (drawn without material adjustment) from the Offer Document.

"Accordingly, assuming Network 18 Holdings acquired sufficient Indian Film Company Shares so that the Network 18 Parties have a controlling interest, Network 18 Holdings will ensure the existing contractual employment and pension rights of all employees and management of the Indian Film

Company Group will be fully safeguarded. It is Network 18 Holding's current intention that key members of the management team should remain with the Indian Film Company."

The Independent Directors note that the Company, which is led by a board of non-executive directors and is managed by the Investment Manager (a third party investment management company jointly owned by Viacom Inc and BK Media Mauritius Pvt. Limited (which is owned by Raghav Bahl)), has no direct employees or management. Accordingly it is not clear to the Independent Directors from the statements referred to above what the intentions of Network 18 are in this regard. In particular, Shareholders should note that Network 18 has not stated in its Offer Document what its intentions are with respect to the retention of the Investment Manager, Investment Adviser nor the retention or maintenance of an independent board of non-executive directors of the Company, in the event that the Offer becomes unconditional.

Conclusions and Recommendation

For the reasons set out above, the Independent Directors believe that the Offer undervalues the Indian Film Company's business, assets, goodwill and prospects and that Shareholders should therefore reject the Offer and not return any Form of Acceptance as will the Independent Directors who collectively have interests in 10,000 Indian Film Company Shares.

The Independent Directors of the Indian Film Company, who have been so advised by each of Elara Capital and Blomfield (who are acting jointly as independent advisers to the Independent Directors for the purposes of Rule 3 of the City Code), consider that the Network 18 Offer of 40 pence per Share does not represent a fair and reasonable offer for Shareholders with a medium to long-term investment strategy.

In providing advice to the Independent Directors Blomfield and Elara Capital have taken into account the commercial assessments of the Independent Directors.

Yours sincerely,

Shyam Benegal
Chairman

Appendix I

Additional information

1. Responsibility

(a) The Directors, whose names are set out in paragraph 2(a) below, accept responsibility for the information contained in this document (other than the recommendation, information and associated opinions of the Independent Directors set out in the letter from the Chairman of the Indian Film Company on behalf of the Independent Directors in this document), except that the only responsibility accepted by them in respect of the information contained in this document relating to Network 18 or Network 18 Media and their connected persons, which has been compiled from published sources, is to ensure that it has been correctly and fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

(b) The Independent Directors, whose names are set out in paragraph 2(b) below, accept responsibility for their recommendation, information and associated opinions set out in the letter from the Chairman of the Indian Film Company on behalf of the Independent Directors in this document, except that the only responsibility accepted by them in respect of the information contained in the letter from the Chairman of the Indian Film Company on behalf of the Independent Directors in this document relating to Network 18 or Network 18 Media and their connected persons, which has been compiled from published sources, is to ensure that it has been correctly and fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the Independent Directors (who have taken all reasonable care to ensure that such is the case), the information contained in the letter from the Chairman of the Indian Film Company on behalf of the Independent Directors in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

(a) The Directors and their respective positions are:

Name	Position
Shyam Benegal	Non-Executive Chairman
Lord Meghnad Desai	Non-Executive Director
Alok Verma	Non-Executive Director
Peter Radford	Non-Executive Director
Raghav Bahl	Non-Executive Director

(b) The Independent Directors are:

Name	Position
Shyam Benegal	Non-Executive Chairman
Lord Meghnad Desai	Non-Executive Director
Alok Verma	Non-Executive Director
Peter Radford	Non-Executive Director

The business address of the Directors and the registered office of the Indian Film Company is 2nd Floor, No. 1 Le Truchot, St. Peter Port, Guernsey, GY1 3JX, Channel Islands.

3. Disclosure of Interests and Dealings in Relevant Securities

3.1 Definitions

- (a) For the purposes of this paragraph 3:
 - (i) "acting in concert" has the meaning attributed to it in the City Code;
 - (ii) "arrangement" includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing as provided for in Note 6 to Rule 8 of the City Code;
 - (iii) "associate" has the meaning attributed to it in the City Code and includes (without limitation) in each case:
 - (1) its parent, subsidiaries and fellow subsidiaries, their associated companies and companies of which any such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (and for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of "associated company" status) (each a "paragraph 1 associate");
 - (2) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
 - (3) its directors and the directors of any of its paragraph 1 associates (together in each case with their close relatives and related trusts);
 - (4) its pension funds or the pension funds of any of its paragraph 1 associates;
 - (5) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
 - (6) its employee benefit trust or of any of its paragraph 1 associates; and
 - (7) a company having a material trading arrangement with it;
 - (iv) "connected adviser" has the meaning attributed to it in the City Code;
 - (v) "connected person" has the meaning attributed to it in Part 22 of the Companies Act 2006 and related regulations;
 - (vi) "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings gives de facto control (and "controlling" and "controlled by" shall be construed accordingly);
 - (vii) "dealing" or "dealt" includes the following:

- (1) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to the securities, or of general control of relevant securities;
 - (2) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including traded option contract) in respect of any relevant securities;
 - (3) subscribing or agreeing to subscribe for relevant securities;
 - (4) the exercise or conversion, whether in respect of new or existing securities, of any relevant securities carrying conversion or subscription rights;
 - (5) the acquisition of, or disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
 - (6) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
 - (7) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (viii) "derivative" includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;
- (ix) "disclosure date" means 13 August 2009 (being the last practicable date prior to the posting of this document);
- (x) "disclosure period" means the period commencing on 30 July 2009 and ending on the disclosure date;
- (xi) "exempt principal trader" or "exempt fund manager" has the meaning attributed to it in the City Code;
- (xii) a person is treated as "interested" in relevant securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those relevant securities (and a person who only has a short position in securities is not treated as interested in those relevant securities). In particular, a person is treated as having an "interest" in relevant securities if:
- (1) he owns them;
 - (2) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
 - (3) by virtue of any agreement to purchase, option or derivative, he has the right or option to acquire them or call for their delivery or is under an obligation to take delivery of them whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (4) he is a party to any derivative whose value is determined by reference to the price of securities and which results, or may result, in his having a long position in them;

- (xiii) "relevant securities" includes:
- (1) Indian Film Company Shares or any other securities of the Indian Film Company carrying voting rights;
 - (2) equity share capital of the Indian Film Company or, as the context requires, Network 18; and
 - (3) securities carrying conversion or subscription rights into any of the securities of the Indian Film Company or Network 18 as the context requires and described in (1) and (2) above; and
- (xiv) "short position" means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

Interests in Indian Film Company relevant securities

3.2 As at the close of business on the disclosure date:

- (i) the interests of the Directors (and persons connected with them) in Indian Film Company relevant securities, or of persons who were directors of the Indian Film Company during the disclosure period, were as follows:

<i>Name</i>	<i>Number of Indian Film Company Shares</i>
Peter Radford	10,000
Raghav Bahl ¹	19,813,500
Deepak Gupta ²	3,775,000

¹ 10,000,000 Indian Film Company Shares are held by Network 18 Media, 1,900,000 Indian Film Company Shares are held by BK Media Mauritius Pvt. Limited and 7,913,500 Indian Film Company Shares are held by Network 18. Mr. Bahl and his relatives control over 51 per cent. of the issued share capital of Network 18 Media. Network 18 is owned as to 99.99 per cent. by Network 18 Media.

² Deepak Gupta has discretion over 3,775,000 Indian Film Company Shares. 375,000 Indian Film Company Shares are held in Mr Gupta's own name and 3,400,000 Indian Film Company Shares are held by Alpine Assets Appreciation Fund Limited. Mr. Gupta tendered his resignation from the Board on 12 August 2009 which became effective on 13 August 2009.

- (ii) no paragraph 1 associates had any interest or right to subscribe for Indian Film Company relevant securities;
- (iii) no pension fund of the Indian Film Company or any company which is a paragraph 1 associate had interests in, or rights to subscribe for, Indian Film Company relevant securities;
- (iv) no employee benefit trust of the Company or of a company which is a paragraph 1 associate had interests in, or rights to subscribe for, Indian Film Company relevant securities;

- (v) the interests of the connected advisers in Indian Film Company relevant securities were as follows:

<i>Name</i>	<i>Number of Indian Film Company Shares</i>
Elara Capital ³	9,271,747

³ 663,334 Indian Film Company Shares are held by Elara Capital. Elara Capital is interested in 8,569,500 Indian Film Company Shares which are held on behalf of clients of Elara Capital. Elara Capital is interested in 38,913 Indian Film Company Shares in its capacity as corporate broker.

Save as set out above, no connected advisers nor any person controlling, controlled by or under the same control as any such adviser (except for an exempt principal trader or an exempt fund manager) had an interest in Indian Film Company relevant securities;

- (vi) neither the Indian Film Company nor any person acting, or presumed to be acting, in concert with the Indian Film Company had borrowed or lent any Indian Film Company relevant securities (save for any borrowed shares which have either been on-lent or sold).

Dealings in Indian Film Company relevant securities

3.3 During the disclosure period:

- (i) there have been no dealings in Indian Film Company relevant securities by the Independent Directors, their immediate families and related trusts and companies;
- (ii) the dealings by Directors, or persons who were directors of the Indian Film Company during the disclosure period, were as follows:

<i>Name</i>	<i>Number of Indian Film Company Shares</i>
Atul Setia ¹	7,913,500
Raghav Bahl ²	7,913,500

¹ On 30 July 2009, the Altima India Master Fund Limited (the "**Fund**") sold 7,913,500 Indian Film Company Shares to Network 18 at a price 39.75 pence per share. Mr. Setia is a partner at Altima Partners LLP. Mr Setia tendered his resignation from the Board as a result the Fund ceasing to have an aggregate interest in 10 per cent. or more of the Indian Film Company's issued share capital pursuant to the undertaking described in the section headed "Material Contracts" on page 13 below.

² On 30 July 2009, Network 18 acquired 7,913,500 Indian Film Company Shares from the Altima India Master Fund Limited at a price 39.75 pence per share. Mr. Bahl and his relatives control over 51 per cent. of the issued share capital of Network 18 Media. Network 18 is owned as to 99.99 per cent. by Network 18 Media.

- (iii) no paragraph 1 associates have dealt in Indian Film Company relevant securities;

- (iv) no pension fund of the Indian Film Company or any company which is a paragraph 1 associate dealt in Indian Film Company relevant securities;
- (v) no dealings in Indian Film Company relevant securities took place by any employee benefit trust of the Company or of a company which is a paragraph 1 associate;
- (vi) the dealings by connected advisers in Indian Film Company relevant securities were as follows:

<i>Name</i>	<i>Number of Indian Film Company Shares</i>
Elara Capital ³	7,913,500

³ On 30 July 2009, Elara Capital acted as broker in a transaction involving 7,913,500 Indian Film Company Shares.

3.4 The Company has not purchased any of its own relevant securities during the disclosure period.

Interests in Network 18 relevant securities

3.5 As at the close of business on the disclosure date:

- (i) the interests of the Directors (and persons connected with them) in Network 18 relevant securities were as follows:

<i>Name</i>	<i>Number of Network 18 Shares</i>
Raghav Bahl ¹	1,500,001

¹ 1,500,000 Network 18 Shares are held by Network 18 Media and Investments Limited, which is an entity controlled by Raghav Bahl and his relatives. 1 Network 18 Share is held by Television Eighteen Mauritius Limited, which is a subsidiary of Television Eighteen India Limited. Television Eighteen India Limited is owned as to approximately 51 per cent. by the promoter group of Network 18 Media and Investments Limited, Mr. Bahl, his wife and others.

3.6 Save as disclosed above, neither the Company, nor the Directors:

- (i) had an interest in or right to subscribe for relevant securities as at the disclosure date;
- (ii) engaged in any dealing in relevant securities during the disclosure period;
- (iii) had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, relevant securities as at the disclosure date.

3.7 Save as disclosed above, (so far as the Independent Directors are aware having made due and careful enquiry) no paragraph 1 associate of the Company, nor any pension fund of the Company or any company which is a paragraph 1 associate, nor any employee benefit trust of the Company or of a company which is a paragraph 1 associate, nor any connected adviser or any person controlling, controlled by or under the same control as any such adviser (except for an exempt principal trader or an exempt fund manager), nor any person with whom the

Company or any associate of the Company, has an arrangement in relation to Indian Film Company relevant securities:

- (i) had an interest in or right to subscribe for Indian Film Company relevant securities as at the disclosure date;
- (ii) engaged in any dealing in Indian Film Company relevant securities during the disclosure period;
- (iii) had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, Indian Film Company relevant securities as at the disclosure date.

4. Arrangements in relation to Dealings

No arrangement relating to relevant securities exists between the Company and/or any associate of the Company and any other person.

5. Pension Funds and Employee Benefit Trusts

The Indian Film Company does not have, nor has it had since incorporation, a pension fund or employee benefit trust.

6. Directors' Letters of Appointment

The following are details of the existing arrangements with the Independent Directors:

- 6.1 Shyam Benegal became a director of the Company on 4 April 2007. Mr Benegal agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 19 April 2007. Mr Benegal is entitled to receive a fee of £20,000 per annum (before tax) together with such additional fees as the Board may determine in respect of any extra or special services performed by him. The letter of appointment provides that the appointment was for an initial term of one year, subject to retirement by rotation and earlier cessation for any reason under the articles of association of the Company. Mr Benegal was elected chairman of the Board of the Company at a meeting of the Board on 19 April 2007.
- 6.2 Lord Meghnad Desai became a director of the Company on 4 April 2007. Lord Desai agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 19 April 2007. Lord Desai is entitled to receive a fee of £15,000 per annum (before tax) together with such additional fees as the Board may determine in respect of any extra or special services performed by him. The letter of appointment provides that the appointment was for an initial term of one year, subject to retirement by rotation and earlier cessation for any reason under the articles of association of the Company.
- 6.3 Peter Radford agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 19 April 2007. Mr Radford is entitled to receive a fee of £15,000 per annum (before tax) together with such additional fees as the Board may determine in respect of any extra or special services performed by him. The letter of appointment provides that the appointment was for an initial term of one year, subject to retirement by rotation and earlier cessation for any reason under the articles of association of the Company.
- 6.4 Alok Verma became a director of the Company on 4 April 2007. Mr Verma agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 19 April 2007. Mr Verma is entitled to receive a fee of £15,000 per annum (before tax) together with

such additional fees as the Board may determine in respect of any extra or special services performed by him. The letter of appointment provides that the appointment was for an initial term of one year, subject to retirement by rotation and earlier cessation for any reason under the articles of association of the Company.

The following are details of the existing arrangements with Raghav Bahl:

- 6.5 Raghav Bahl agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 19 April 2007. Mr Bahl has waived his entitlement to a director's fee but is entitled to receive such fees as the Board may determine in respect of any extra or special services performed by him. The letter of appointment provides that the appointment was for an initial term of one year, subject to retirement by rotation and earlier cessation for any reason under the articles of association of the Company.
- 6.6 The Directors' fees are reviewed annually.
- 6.7 The Company has arranged for directors' and officers' liability insurance in respect of the Directors.

Save as disclosed above, there are no service contracts of any Director or proposed director of the Company with the Company or any of its subsidiaries and no such contract has been entered into or amended within the six months prior to the date of this document.

7. **Material contracts**

On 29 January 2009, the Company entered into an agreement (the "**Agreement**") with Altima India Master Fund Limited ("**AIMFL**"), Atul Setia ("**AS**") and Deepak Gupta ("**DG**"). The Company paid £1 consideration, pursuant to which it agreed to appoint AS and DG as non-executive directors of the Board (conditional only on approval of the Guernsey Financial Services Commission and the Company's nominated adviser for the purposes of the rules of AIM). Under the terms of the Agreement, the Company was required to carry out a review of the Company and its strategy with a focus on maximising long term shareholder value in the future. Upon signing the Agreement, AIMFL agreed to withdraw its requisition dated 19 December 2008 of an extraordinary general meeting of the Company scheduled to take place on 5 February 2009 ("**EGM**") and to exercise its voting rights in the Company in favour of any resolution proposed to adjourn the EGM. AIMFL undertook that within 3 days of AIMFL ceasing to have an aggregate interest in 10 per cent. or more of the Company's issued share capital, AS would tender his resignation from the Company to the Board without claim for compensation or otherwise and the Agreement would terminate with respect to the rights and obligations of AIMFL and AS upon the occurrence of the earlier of these events. DG undertook that within 3 days of DG and his associates (as at 29 January 2009) ceasing to have an aggregate interest in 10 per cent. or more of the Company's issued share capital, DG would tender his resignation from the Company to the Board without claim for compensation or otherwise and the Agreement would terminate with respect to the rights and obligations of DG upon the occurrence of the earlier of these events. AS, AIMFL and DG agreed for themselves and each of their respective associates not to move or support any requisition for a shareholders EGM for any resolution to remove any of the Directors on the Board (as at 29 January 2009) nor for a review of the Company or its operations. The Agreement terminated in accordance with its terms following the resignation of DG from the Board on 12 August 2009.

Save as disclosed above, no material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries since 30 July 2007 (being the date two years prior to the commencement of the offer period).

8. Financial and other information

Save as set out in the section "Indian Film Company – Key Information" in the Chairman's letter, the Independent Directors are not aware of any material change in the financial or trading position of the Company subsequent to the audited accounts for the year ended 31 March 2009 which have been incorporated by reference in Appendix III of the Offer Document.

9. Presentation of information, sources and bases

9.1 Presentation of Financial information

Unless otherwise stated, the financial information concerning the Indian Film Company has been extracted from the Company's accounting records and annual reports and accounts of the Indian Film Company for the relevant periods and other information made publicly available by the Indian Film Company.

9.2 Third Party sources

The Company confirms that the information in this document obtained from third-party sources has been correctly and fairly reproduced. So far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company does not have access to the facts and assumptions underlying the data extracted from publicly available sources. As a result, the Company is unable to verify such.

9.3 Rounding

Percentages in certain tables in this document have been rounded and accordingly may not add up to 100 per cent. Certain financial data has also been rounded to the nearest whole number and is given to the stated number of decimal places. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

9.4 Sources and Bases

Unless otherwise stated, information regarding the Offer has been extracted or derived from the Offer Document and other material made publicly available by the Indian Film Company or any other person mentioned in the Offer Document.

9.5 Issued share capital of the Company

The total issued share capital of the Company amounts to 55,000,000 Indian Film Company Shares.

10. Consents

Elara Capital has given and not withdrawn its written consent to the issue of this document with the references to its names in the form and context in which it appears.

Blomfield has given and not withdrawn its written consent to the issue of this document with the references to its names in the form and context in which it appears.

11. Documents for inspection

Copies of the following documents will be available at the office of Gibson, Dunn & Crutcher LLP at Telephone House, 2-4 Temple Avenue, London EC4Y 0HB during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) while the Offer remains open for acceptances:

- (a) the current Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Company for the two financial years ended 31 March 2008 and 31 March 2009;
- (c) the letters of appointment of each of the Directors referred to in paragraph 6 above;
- (d) the material contracts referred to in paragraph 7 above;
- (e) the written consents referred to in paragraph 10 above; and
- (f) this document.

Appendix 2

Definitions

The following definitions apply throughout this document unless the context otherwise requires:

"AIM"	the market of that name which is operated by the London Stock Exchange;
"Blomfield"	Blomfield Corporate Finance Limited;
"Board" or "Directors"	the board of directors of The Indian Film Company Limited;
"Business Day"	a day, not being a public holiday, Saturday or Sunday, on which banks in London are open for business;
"City Code"	the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers as in force at the date of this document;
"Closing Price"	the closing middle market price of an Indian Film Company Share as derived from the AIM section of the London Stock Exchange Daily Official List;
"Elara Capital"	Elara Capital PLC;
"Independent Directors"	the independent directors of the Indian Film Company being Shyam Benegal, Lord Meghnad Desai, Alok Verma and Peter Radford;
"Indian Film Company", "IFC" or "Company"	The Indian Film Company Limited;
"Indian Film Company Group" or "Group"	Indian Film Company, its subsidiaries, The Indian Film Company (Cyprus) Limited and IFC Distribution Private Limited;
"Indian Film Company Shares" or "Shares"	ordinary shares of no par value each in the Company;
"Investment Adviser"	India Investment Film Advisors Private Limited;
"Investment Manager"	Film Investment Managers (Mauritius) Limited, the investment manager to the Company;
"London Stock Exchange"	London Stock Exchange plc or its successor;
"Network 18"	Network 18 Holdings Limited;
"Network 18 Media"	Network 18 Media and Investments Limited;
"Network 18 Parties"	together, Network 18, Network 18 Media and its subsidiaries, BK Media Mauritius Pvt. Limited and Raghav Bahl and his immediate family;

"Network 18 Share"	ordinary shares in Network 18;
"Offer"	the mandatory cash offer by Network 18 to acquire Indian Film Company Shares on the terms set out in the Offer Document;
"Offer Document"	the offer document issued by Network 18 in respect of the Offer on 3 August 2009;
"Panel"	the Panel on Takeovers and Mergers;
"Shareholder"	a registered holder of Indian Film Company Shares.