

THE INDIAN FILM COMPANY

Fund Report for the Quarter ended December 31, 2007

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Chairman's Introduction

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CHAIRMAN'S INTRODUCTION

We are pleased to present the Quarterly Report of The Indian Film Company Limited (the "Company" / "TIFC") for the quarter ended December 31, 2007.

This past quarter was a very busy one for the TIFC team. We successfully released our maiden worldwide film "Jab We Met" in October. The film was well received by both critics and the box office, and the Indian audience across all ages appreciated the film. "Jab We Met" grossed approximately INR 510 million (GBP¹ 6.48 million) worldwide at the box office and we are very proud to be associated with this film.

We also released "Welcome" worldwide in December, a film starring Akshay Kumar and Katrina Kaif. The comedy is directed by Anees Bazmee and has a very strong star cast. "Welcome" has grossed approximately INR 1250 million (GBP 15.87 million) in the first four weeks of its release at the worldwide box office.

In the quarter ended December 31, 2007, we acquired the worldwide rights to three films. These acquisitions include; "Kidnap", directed by Sanjay Ghadvi, starring Sanjay Dutt and Imran Khan; "Golmaal Returns", directed by Rohit Shetty, starring Ajay Devgan, Kareena Kapoor and Arshad Warsi; and "Singh is Kinng", directed by Anees Bazmee, starring Akshay Kumar and Katrina Kaif. These films are expected to be released during the course of the fiscal year 2009.

Along with these acquisitions, we will be releasing films produced and co-produced by us. Details of these films are provided in this document.

By the end of the quarter TIFC's total Net Asset Value ("NAV") had risen to GBP 54.28 million representing 98.69p per share. This represented a 2.38% rise in NAV since September 30, 2007.

We are happy to announce that we have already found a number of investment opportunities and by the end of the quarter we had invested GBP 21.64 million (41% of the net proceeds raised).

We have continued to make tremendous progress with our projects. With a strong investment pipeline across all genres, we remain extremely positive in our outlook for the remainder of the year and into the fiscal year 2009.

Yours sincerely,

Shyam Benegal
Chairman
January 2008

¹ 1 GBP = 78.7639 INR, source www.oanda.com as of Dec 31, 2007

FUND SUMMARY

Unaudited figures for the quarter ended December 31, 2007

Fund Launch	June 18, 2007
Total Value of Investments	GBP 21.64 million
Cash and Cash Equivalents	GBP 33.02 million
Total NAV	GBP 54.28 million
Fund Domicile	Guernsey
Structure	Single class of ordinary shares traded on AIM, a market operated by the London Stock Exchange
Investment Manager	BK Enterprises Limited
Investment Adviser	India International Film Advisors Pvt Ltd.
Investment Focus	- Investment in a diverse portfolio of Indian films across different genres, budgets and languages. - Build a library of Intellectual Property Rights (“IPR”) in various formats.
Investment Audience	Indian

PERFORMANCE UPDATE

During the 3rd quarter of fiscal year 2008, the Company's NAV increased 2.38%. As of December 31, 2007 the Company's NAV was GBP 54.28 million or 98.69p per share.

At the end of December 2007, the Company was 41% invested with GBP 33.02 million in cash and cash equivalents. The pipeline for deployment in the last quarter of fiscal year 2008² and the first quarter of fiscal year 2009 is expected to be around GBP 20 million.

The Company deployed GBP 13.74 million in the 3rd quarter of fiscal year 2008 on various film projects and for the signing of key directors, actors and writers.

Our two releases in the 3rd quarter of fiscal year 2008 have been very successful in their respective genres and have performed very well at the box office. Following this encouraging start, we hope to continue to acquire content that has the potential to perform at the box office and deliver returns.

Our investment objective is to invest in a diverse portfolio of Indian films and films primarily targeted at the Indian audience across different genres, budgets and languages. We intend to build a library of intellectual property rights in various formats.

FILMS RELEASED

Jab We Met – We released “Jab We Met” on October 26, 2007. The film was a box-office success and grossed approximately INR 510 million (GBP¹ 6.48 million) worldwide with INR 420 million (GBP¹ 5.33 million) at the Indian box office and INR 33.4 million (GBP¹ 420,000) at the UK box office. The film also received critical acclaim with a number of four-star ratings and reviews. The music album of the film was number two on the film music charts countdown for 2007. The film was also nominated for six categories at the Screen Awards, with Kareena Kapoor winning the award for the Best Actor – Female.

² The Company's fiscal year runs from 1 April to 31 March

Welcome – On December 21, 2007, we released “Welcome”, starring Akshay Kumar and Katrina Kaif. The film grossed approximately INR 1250 million (GBP¹ 15.87 million) in the first four weeks of release with INR 500 million (GBP¹ 6.35 million) at the Indian box office in its opening week. This is the biggest opening week of any Bollywood film in this genre as well as for a film starring Akshay Kumar. The film is also the second largest grossing film of all time at the Indian box office. The film is directed by Anees Bazmee and stars Akshay Kumar, Katrina Kaif, Anil Kapoor, Nana Patekar, Paresh Rawal and Feroz Khan. The film received two nominations at the Screen Awards for Anil Kapoor and Nana Patekar for the category Best Actor – Supporting Role.

PORTFOLIO CHANGES

Mr. and Mrs. Khanna – We had entered into a co-production deal with Sohail Khan Productions for a film titled “Mr. and Mrs. Khanna” starring Salman Khan and Ayesha Takia. Following our portfolio management approach we sold this film in the pre-production phase.

Halla Bol – Our co-production with Sunrise Pictures was released on January 11, 2008. The worldwide distribution rights for this film were sold prior to its release.

NEW INVESTMENTS

ACQUISITIONS

- **Singh is Kinng** – We acquired the worldwide distribution rights of the film “Singh is Kinng” from Vipul Shah Productions’ Block Buster Films. The film is a comedy, directed by Anees Bazmee and stars Akshay Kumar and Katrina Kaif.
- **Golmaal Returns** – We have acquired the worldwide distribution rights of the film “Golmaal Returns” from Shree Ashtivinayak. The film is directed by Rohit Shetty and stars Ajay Devgan, Kareena Kapoor, Arshad Warsi, Tusshar Kapoor, and Celina Jaitley. It is a comedy film and is the sequel to “Golmaal – Fun Unlimited”.
- **Kidnap** – We have also acquired the worldwide distribution rights for the film “Kidnap” from Shree Ashtivinayak. The film is directed by Sanjay Ghadvi and stars Sanjay Dutt, Imran Khan, and Minisha Lamba. Sanjay Ghadvi directed the superhit series “Dhoom” and “Dhoom – II”, which broke box office records.

All three of these films will be released over the course of the summer in 2008.

PRODUCTIONS

- **Striker** – “Striker” is a co-production deal with Chandan Arora’s Make Films. The film is directed by Chandan Arora and stars Siddharth (of Rang De Basanti fame), Vidya Malvade (of Chakde India Fame) and Padma Priya. The film started shooting on November 18, 2007 and has completed the first shooting schedule. This film will be ready for release by May 2008.
- **Panduranga** – This is the first regional language (Telgu) film that we have signed. We have entered into a co-production deal with K Raghavendra Rao, whereby he will direct the film, and Balakrishna and Sneha will star in it. The film is scheduled for release in the 2nd quarter of fiscal year 2009.
- **Bubblegum** – This is a co-production deal with Paramhans. The film is being directed by Anil Sr. Sharma starring Irfan Khan, Konkana Sen, Soha Ali Khan, Rahul Bose, and Rahul Khanna. Irfan Khan and Konkana Sen starred together in “Life in a Metro” with Konkana winning a national award for her performance. Rahul Bose is known for versatility in his

performances. He has acted in a wide variety of films including “Jhankaar Beats”, “Mr. and Mrs. Iyer”, “Chameli” and “Pyaar Ke Side Effects”. Shooting will start in January 2008 and the film is expected to be released in October 2008.

- **Production No 3** – Tentatively titled “Production No 3” this film is being produced by Priti Sinha’s Reel Life Entertainment, directed by Tigmanshu Dhulia and starring Govinda. The film is expected to be ready for release by the 1st quarter of fiscal year 2010.
- **Production No 4** – This film is yet to be named and is our first Tamil film. It is a co-production deal with Priti Sinha’s Reel Life Entertainment. The film stars Vikram, one of the foremost stars of the Tamil Film Industry who has starred in a number of top-grossing Tamil films including “Dhruvam”, “Sethu”, “Dhill”, “Kasi”, “Dhool”, “Saamy”, “Gemini”, “Pithamagan” and “Anniyan”. This film is slated for release in the 3rd quarter of fiscal year 2009.

TALENT AGREEMENTS

(a) Directors

- **Anees Bazmee – 1 Film Deal:** Anees Bazmee is one of the most successful commercial comedy film directors. He has a strong track record of commercial success and recently directed our own release “Welcome” which grossed INR 1250 million in the first four weeks of release and “No Entry”, which grossed INR 850 million at the worldwide box office. Following the release of “Welcome”, we have acquired “Singh is Kinng” starring Akshay Kumar and Katrina Kaif, directed by Anees.
- **Soham Shah – 1 Film Deal:** The film “Kaal” produced by Karan Johar’s Dharma Productions was Soham’s directorial debut. The film grossed INR 450 million in worldwide box office sales. He was also the assistant director on Karan Johar’s “Kabhie Khushi Kabhie Gham”.

(b) Actors - Male

- **Himesh Reshammiya – 1 Film Deal:** Himesh has been signed as an actor and music director for one film. His first film as lead star “Aap ka Suroor” grossed INR 350 million in box office sales and clearly established his popularity among the Indian audience. He is one of the rising stars of the musical genre.

(c) Actors - Female

- **Kareena Kapoor – 1 Film Deal:** Kareena is one of the foremost actresses in Bollywood today. She started her career with “Refugee” in 2000 and most recently starred in “Jab We Met” which we released in October. Her versatile performances ranging across films like “Omkara”, “Chameli”, “Dev” and “Kabhie Khushi Kabhie Gham” have proven to be extremely popular with the domestic audience and she has received a number of awards. Kareena will also star in “Golmaal Returns”, due for release in July 2008, for which we have acquired the worldwide distribution rights.
- **Katrina Kaif – 2 Film Deal:** Katrina has had a very successful 2007 in Bollywood with releases including “Namastey London”, “Partner”, “Apne” and “Welcome” all of them performed well at the box office. She began her Bollywood career in 2003 and is now one of the most popular actresses. She has a strong pipeline of projects for 2008 including, “Singh is Kinng” and “Yuvraaj”. “Singh is Kinng” stars Akshay Kumar, directed by Anees Bazmee and is produced by Vipul Shah. We acquired the worldwide distribution for this film.

(d) Script Writers

- **Shibani Bhatija – 3 Film Deal:** Shibani wrote “Fanna” and “Kabhie Alveida Na Kehna”. She is one of the sought after writers in Bollywood. Shibani has also written “Kidnap”, for which we have the worldwide distribution rights.
- **Abbas Tyrewala – 2 Film Deal:** Abbas has won awards for both “Munnabhai M.B.B.S”. and “Maqbool.” He wrote the dialogues for other films including “Welcome”, “Main Hoon Na” and “Salaam Namaste”. Abbas is currently working on his directorial debut “Jaane Tu” with Aamir Khan Productions.

EXISTING INVESTMENTS

- **Little Zizou** – This is our co-production with Jigri Dost Productions, presented by Mira Nair and directed by Sooni Taraporewala. The film is in post-production stage and has completed its final edit. The film will be taken to various international film festivals and will be released thereafter.
- **Fruit N Nut** – This is our first sole production. It has completed two thirds of its principal photography. The film is being produced according to the time lines set at the time of planning and is proceeding well. “Fruit ‘N’ Nut” is being directed by Kunal Vijayker and its leading star cast includes Cyrus Broacha, Boman Irani and Diya Mirza. The film will be ready for release by the 1st quarter of fiscal year 2009.
- **Loot** – This film is co-produced with Suniel Shetty Production. “Loot” commenced shooting on December 25, 2007. The film stars Govinda, Suniel Shetty and others and is directed by Rajneesh Thakur. The film is slated for release in December 2008.
- **Pappu Pass Ho Gaya** – This film is a co-production with B R Films, it is directed by Ravi Chopra and stars Govinda and Lara Dutta. Shooting for this film is in progress and we expect to release the film around the 1st quarter of fiscal year 2009. Ravi Chopra is the son of legendary filmmaker B R Chopra, and is a veteran director himself. He directed the very successful family drama film “Bhaghban” in 2003.
- **Paanch Pandav** – This is our first animation film and is a co-production with B R Films. Animation is an upcoming genre in the Indian film industry. The film’s animation is in progress under the creative supervision of Ravi Chopra and the film is likely to be released by the 4th quarter of fiscal year 2009.

BOLLYWOOD IN H2-2007

In 2007, the industry witnessed a number of films that fell short of trade expectations. The under-performance of big-ticket films like “Tara Rum Pum”, “Jhoom Barabar Jhoom”, “Nishabd”, “Laaga Chunari Mein Daag” and “Saawariya” left the industry shocked, given the quality of the combined talent involved.

Conversely, 2007 saw the unexpected success of “Bheja Fry”, a film with no saleable star names or music, which produced excellent box office revenues as well as the substantial domestic gross revenues for Mira Nair's English-language “The Namesake” and debutante Reema Kagti's “Honeymoon Travels Pvt. Ltd”, which all demonstrated that good entertainment could achieve commercial success independently of star value.

The industry also witnessed a new dynamic with the commercial success of two films, whose content was outside the traditional genres of Indian Cinema. Aamir Khan's directorial venture “Taare Zameen Par” and Shahrukh Khan's “ChakDe India” achieved success with both the critics and the box office and demonstrated that the Indian audience is maturing in terms of content.

Alongside these new developments, the industry continued to see the importance of bankable talent. This was exemplified by Shahrukh Khan and Akshay Kumar, both of whom had a number of phenomenal successes. Akshay Kumar released four films in 2007 starting the year with “Namastey London”, “Heyy Baby”, “Bhool Bhulaiya” and ending the year on a high with “Welcome”, giving four consecutive hits at the box office.

INDIAN MACROECONOMIC OVERVIEW

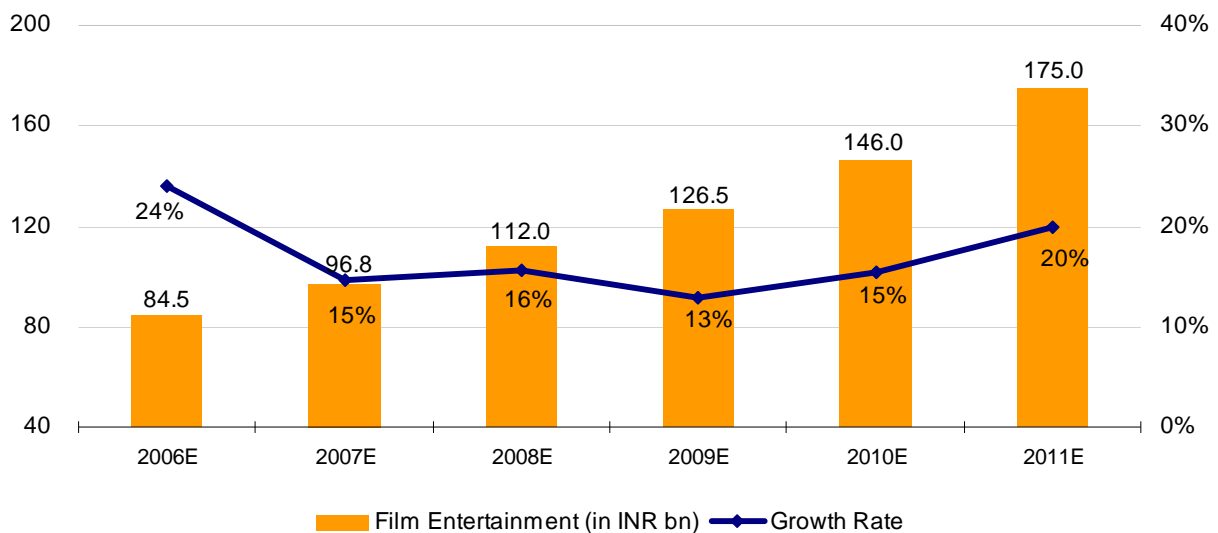
GDP Growth: India’s real GDP growth rate for the fiscal year 2007 was 9.4%, with foreign exchange reserves at USD 199.2 billion. The Indian economy is expected to maintain a high growth rate and remains an attractive destination for investments and business. India’s capital markets have performed strongly in the last year, the Sensex crossing the 20,000 mark. (source: Government of India, Reserve Bank of India)

Foreign Exchange Fluctuations: The Indian Rupee has appreciated strongly over the last year and the last few months. The US Dollar is valued at 39.435 INR as of December 31, 2007 representing a 10.6% appreciation in the value of the INR. The Pound Sterling similarly depreciated 8.9% over the last calendar year to 78.7639 INR. (source: www.oanda.com)

Demographic Profile: India has a young demographic composition with 54% of its population in the below 25 age bracket as compared to 40% in China and approximately 36% in the USA. This represents a quarter of the world’s youth. (source: CLSA)

ENTERTAINMENT AND MEDIA INDUSTRY

Corporatisation of the Indian Film Industry: The growth potential of the Indian film industry has attracted a number of Corporates into the sector. A number have raised money from the capital markets or private equity in order to make investments in Bollywood. They are able to utilise their existing distribution channels to exploit additional revenue streams. This trend had led to increased organization and transparency within the industry, resulting from recognized corporate governance practices. On an operational level, Indian Media Companies have begun to mirror the structure and practices of the Hollywood studios and the fragmented nature of the industry continues to offer opportunities for consolidation.



The Indian film industry is expected to grow at a CAGR of 13% over 2006-2011. (source: PwC analysis and industry estimates)

Retail Boom: The Indian retail industry has grown by approximately 40% in the last two years, however organized retail still represents a mere 3% of the total industry. This has been stimulated by a growth in consumer spending driven by a rise in disposable income levels. The retail model has also evolved in recent years with the growth of destination shopping malls and these often contain multiplex theatres. (source: HDFC estimates)

Changing Film Exhibition Dynamics: India is among the most under-screened nations with 14 screens per million population compared to the US which has 117 screens per million population. Of the total number of screens more than 95% are single screens. Multiplex operators are expanding their reach by acquiring single screens and converting them into multiplex experience cinemas. The major multiplex chains in India have ambitious growth plans and the number of multiplex screens in India is likely to increase significantly by 2010. *(source: Industry estimates)*

Digitization of Cinema: Several film production, distribution and exhibition companies are entering into initiatives designed to increase the number of digital cinema halls in the country thereby reducing expenses on print costs, physical movement of prints and also piracy.

Content Syndication for Indian Broadcasters: The Indian television industry is expected to grow from INR 191 billion in 2006 to INR 519 billion in 2011, a CAGR of 22%, with new entertainment channels being launched every quarter. This has led to an increased demand for content as these channels seek to build film libraries. The penetration of subscription based TV viewing, like Pay Per View and DTH in India is also increasing, thereby opening an additional new revenue stream to the film distributors. *(Source: PwC analysis and industry estimates)*

Digital and New Media: Technological advances offer the opportunity to exploit film rights over new media be it audio or video streaming over internet, mobile content, animation and games and licensing. All are high potential revenue areas.