

DIRECTORS' REPORT TO THE SHARE HOLDERS

The directors have pleasure in presenting the annual report and Audited Accounts of the company for the period from Feb 25, 2004 to June 30, 2005.

General Review:

Year 2005 marks a momentous milestone for the media industry in Pakistan, as your Company has been the first international satellite channel Company to be listed on the Karachi Stock Exchange. After incorporation on the 25 Feb 2004 as public limited company a professional team was put together to work on different aspects of development of an independent private satellite television channel to full fill the general entertainment needs of television viewers in Pakistan, with a secondary coverage of expatriates and Urdu speaking population all around the world .

On 30th October 2004, your company received the license from Pakistan Electronic Media Regulatory Authority (PEMRA) to operate an international satellite television channel. This license is valid for a period of 15 years and also provides for establishing an up linking facility from Pakistan giving an added advantage of significantly reducing costs and making the content more competitive for international market.

The company launched its first channel by the name of "Hum TV" on January 17, 2005.

With a view to airing a wide variety of programs with respect to information, entertainment, health, music and society.

To ensure consistent quality and vibrant brand image of the channel, the company has relied on both acquiring quality contents from well reputed production houses and on producing of programs through its in-house production and studio facilities.

Eye Television Network platform is based on Serial Digital interface (SDI) technology which is amongst the most advanced interface available in broadcasting environment. The company is also using servers in place of VTR , allowing for maintaining a good capture-to- record quality and last but not least saving costs and time on overall operational and maintenance costs.

Future prospects of the company is very prosperous as the company's revenue streams are steadily increasing as the advertisement minutes are on the rise on every passing day. Advertisement being the main stream of revenue has a two fold effect of increasing minutes, one of increased volumes and the other of improvement in advertisement rates.

Moreover, the company has entered into agreements with channels in UK and USA for sale of its contents and agreements are under negotiation with channels in other parts of the world. These factors will definitely prove to make the Company profitable.

OPERATING RESULTS

Although the company was incorporated in February, 2004 it launched its first channel in January 2005, and no revenue was generated till March as the channel was in a trial phase. Thereafter, the channel's viewer ship has been steadily increasing which is evidenced by improved ratings resulting in monthly increase in revenue from advertising minutes. However the company has recorded a loss before taxation of Rs.142.217 M mainly due to acquisition of program rights and charging pre operating expenditure to the profit & loss account.

KEY FINANCIAL DATA

Ordinary Share Capital	Rs.	350,000,000
Ordinary Share Holders' Equity	Rs.	207,682,855
Revenue	Rs.	16,767,984
Loss before Taxation	Rs.	(142,217,090)
Loss after Taxation	Rs.	(142,317,145)
Loss per share of Rs.10/- (Loss after taxation attributable to ordinary shareholders/ Weighted average number of ordinary shares outstanding During the period)	Rs.	20.48

FUTURE OUTLOOK

A new and modern building structure is planned to be constructed by the company on the plot of land acquired in phase I DHA. This building shall accommodate main studios, mechanical and control rooms and also the editing suites, master control rooms and all the production /operations and management offices.

Earth Station

In pursuance of the license granted to the company by PEMRA, the company plans to develop its up linking facility in Pakistan. In order to establish, operate and uplink the transmission of a television channel, a proper infrastructure is required mainly in the form of an "Earth Station" or "Up linking Equipment". The Earth Station transforms the signals generated from the program tapes and compresses, accelerate and transmit these signals to be further distributed to the end user. By establishing the up linking facility in Pakistan a lot of savings will be initiated in terms of foreign exchange payments that are required to be made to off shore companies for their services relating to up linking of programs from their locations. Furthermore it will provide us the capability to produce and air programs live for our viewers.

MEETINGS OF THE DIRECTORS

S.No	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1	Ms. Sultana Siddiqui	Chairperson	6	5	1
2	Mr. Duraid Qureshi	Chief Executive	6	6	0
3	Mr. Munawar Alam Siddiqui	Director	6	6	0
4	Mr. Mazhar-ul-Haq Siddiqui	Director	6	3	3
5	Mrs. Khush Bakht Shujat	Director	6	5	1
6	Mrs. Mahtab Akbar Rashdi	Director	6	5	1
7	Mrs. Farah Nadeem	Director	6	4	2

Leave was granted to the members of the Board who were unable to attend the Board meetings.

AUDITORS

The present auditors Messers Ford Rhodes Sidat Hyder & Co. Chartered Accountants shall retire and may be considered for re- appointment for the year 2005-2006

Corporate Governance and Financial Reporting Framework:

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There have been no departure from the best practices of transfer pricing.

- Trading of shares by the Chief Executive Officer, Directors, Chief Financial Officer and company secretary, their spouses and minor children:

Chief Executive Officer

Directors

Chief Financial Officer & Company Secretary

Spouses & minor children of CEO, Directors,

CFO and Company Secretary

Pattern of shareholding is included in the annexed shareholders' information.

For and on behalf of the Board of Directors

Karachi

August 04, 2005

Duraid Qureshi

Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **EYE TELEVISION NETWORK LIMITED (Formerly Eye TV Limited)** as at **June 30, 2005** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion :
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies stated in note 3 to the financial statements;
 - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2005** and of the loss, its cash flows and changes in equity for the period then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI: August 04, 2005

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

EYE TELEVISION NETWORK LIMITED
(Formerly EYE TV LIMITED)
BALANCE SHEET AS AT JUNE 30, 2005

	Note	2005 Rupees
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	4	117,153,717
Intangible assets	5	5,833,794
Long term deposits	6	5,778,685
Deferred costs	7	7,551,130
Television program costs	8	29,683,070
CURRENT ASSETS		
Inventories	9	340,549
Television program costs	8	36,353,766
Trade debtors-unsecured, considered good		17,098,463
Loan, advances, deposits, prepayments and other receivables	10	9,813,875
Cash and bank balances	11	29,039,083
		<u>92,645,736</u>
TOTAL ASSETS		<u><u>258,646,132</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Share capital		
Authorised capital		
70,000,000 Ordinary shares of Rs. 10/- each		<u>700,000,000</u>
Issued, subscribed and paid-up capital	12	350,000,000
Accumulated loss		<u>(142,317,145)</u>
Shares subscription	1	3,265,000
NON-CURRENT LIABILITIES		
Deferred liability-staff gratuity	13	2,170,000
CURRENT LIABILITIES		
Trade and other payables	14	45,528,277
COMMITMENTS	15	
TOTAL EQUITY AND LIABILITIES		<u><u>258,646,132</u></u>

The annexed notes form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURaid Qureshi
Chief Executive

**EYE TELEVISION NETWORK LIMITED
(Formerly EYE TV LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30,2005**

		From January 01, to June 30, 2005
	Note	Rupees
Revenue-net	16	16,767,984
Cost of production	17	74,763,675
Transmission cost		15,988,152
		<u>90,751,827</u>
Gross loss		73,983,843
Distribution cost	18	17,159,172
Administrative expenses	19	52,193,510
		<u>143,336,525</u>
Finance cost	20	241,283
Other operating income	21	(1,360,718)
Loss before taxation		<u>142,217,090</u>
Taxation	22	100,055
Loss after taxation		<u>142,317,145</u>
Loss per share- Basic and diluted	23	<u>20.48</u>

The annexed notes form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURAIQ QURESHI
Chief Executive

**EYE TELEVISION NETWORK LIMITED
(Formely EYE TV LIMITED)
CASH FLOW STATEMENT
FOR SIXTEEN MONTHS AND FIVE DAYS PERIOD ENDED JUNE 30,2005**

	From February 25, 2004, to June 30, 2005 Rupees
CASH FLOW FROM OPERATING ACTIVITIES	
Loss for the period	(142,317,145)
Adjustment for:	
Depreciation	11,501,448
Amortization of intangible assests	240,206
Amortization of deferred costs	1,808,994
Finance cost	241,283
Interest income	(1,316,493)
Gain on disposal of fixed assests	(74,000)
Provision for gratuity	2,170,000
Exchange loss	29,775
	<u>14,601,213</u>
Net cash used before changes in working capital	(127,715,932)
Changes in working capital:	
Inventories	(340,549)
Television program cost	(36,353,766)
Loans,advances,deposits,prepayments and other receivables	(9,813,875)
Trade debtors	(17,098,463)
Trade and other payables	45,528,277
	<u>(18,078,376)</u>
	(145,794,308)
Television program cost	(29,683,070)
	<u>(175,477,378)</u>
Interest received	1,180,911
Finance cost paid	(450,625)
Net cash used in operating activities	<u>(174,747,092)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(93,399,284)
Proceed from disposal of fixed assets	550,000
Capital work in progress	(35,731,881)
Purchase of intangible asset	(6,074,000)
Deferred costs	(9,044,975)
Long term deposits	(5,778,685)
Net cash used in investing activities	<u>(149,478,825)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds against issue of shares	350,000,000
Prceeds against shares subscription	3,265,000
Net cash from financing activities	<u>353,265,000</u>
Net increase in cash and cash equivalents	29,039,083
Cash and cash equivalents at the begining of the period	-
Cash and cash equivalents at the end of the period	<u><u>29,039,083</u></u>

The annexed notes form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURAJD QURESHI
Chief Executive

EYE TELEVISION NETWORK LIMITED
(Formerly EYE TV LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR SIXTEEN MONTHS AND FIVE DAYS PERIOD ENDED JUNE 30,2005

	Share capital	Accumulated Loss Rupees	Total
Shares issued during the period	350,000,000		350,000,000
Loss after tax for the period		(142,317,145)	(142,317,145)
Balance as at June 30,2005	<u>350,000,000</u>	<u>(142,317,145)</u>	<u>207,682,855</u>

The annexed notes form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURAID QURESHI
Chief Executive