

REPORT

DIRECTORS'

On behalf of the Board of Directors, we are pleased to present the Annual Report and Audited Accounts and Auditors' Report thereon of the Company for the year ended 30th June, 2006.

1. GENERAL OVERVIEW

1.1 INTRODUCTION

Year 2006 had been an eventful year both for the Company as well as for the Media Industry. To date we have approximately 40 Pakistani Channels running and some prominent names are preparing for making their way into the television scene. PEMRA has also taken a key role in streamlining the media scene in Pakistan. Indian channels like Star plus, Sony, Zee etc. that were banned in Pakistan and were being shown by Cable Operators have been stopped successfully.

On the other hand PEMRA's role in regulating the media in an effective manner leads to a consistent policy being implemented by the government.

1.2 PROGRAMING

In order to capitalize on these changes, quality of programming is imperative to increase the market share. Eye Television Network Limited is alive to this fact and is constantly making

efforts and investments in this regard. This year again we have invested Rs.236 Million in production of programs as against Rs.140 Million of last year, which shows the commitment of the Company towards quality of programming content.

Furthermore, in terms of viewer ship ratings of satellite channels, your Company in a short span of 1½ years have secured second position and this position has been consistent since last 6 months.

1.3 PAKISTAN BROADCASTERS ASSOCIATION

Pakistan Broadcasters Association that has been formed in November 2005 and is preliminary a body incorporated for the safeguard of rights of the Broadcasters in Pakistan and establishing a clearing house that will improve the overall recovery cycle and reduce bad debts in the industry. This would also provide a greater platform to the Broadcasters for voicing their demands on other areas affecting the industry as a whole. Eye Television Network Limited realizing the importance of this platform is a founder member of the Association and is actively involved in the policy making and normal business of the Association.



1.4 DISTRIBUTION AND CABLE OPERATIONS

Another issue that the media industry is facing is in terms of distribution in the unorganized cable networks operating in different parts of the cities of Pakistan. One major problem with these cable operators is that majority of them offer a limited number of channels. However, PEMRA has started regulating this sector in a systematic manner. A lot needs to be improved and changes are already visible.

As the entire medium of television is based on advertisement revenues, it is inevitable that a fair share is divided among the players. If a company advertises on a television channel it has to follow certain documentation and is affected by certain taxes. However, if advertised on a cable network no documentation is required due to the business structures of most of these cable networks and in turn no effect of taxation to their rates. This apart from causing a loss of revenue to the television channels is also causing a loss to the government exchequer. These are amongst some of the issues PEMRA will hopefully resolve in the near future.

2. DEVELOPMENTS

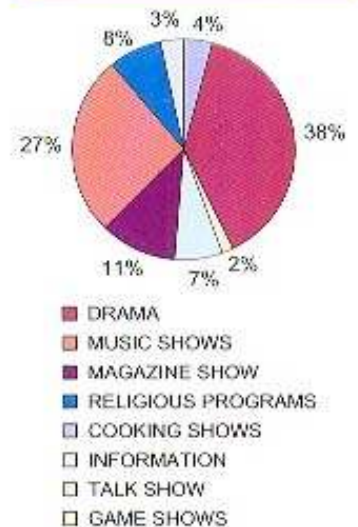
2.1 INTERNATIONAL AFFILIATION

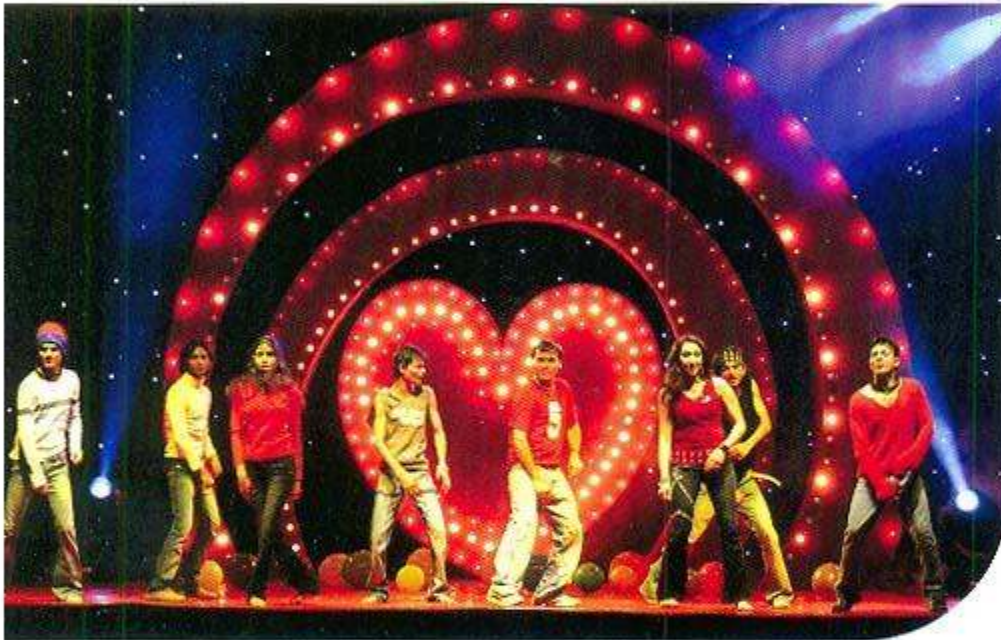
Eye Television Network Limited being the only satellite television channel company listed on the Karachi Stock Exchange provided us enormous opportunities both locally and internationally. Your company in only a short span of time has been inducted as a member of prestigious global media organizations such as Common Wealth Broadcasting Association, Asia Pacific Institute of Broadcasting Development and Asia Pacific Broadcasting Union.

2.2 UPLINKING

The company also started its own uplinking from Pakistan from April 2006, which also helped us curtail major costs in terms of fees paid to foreign companies, increased our revenue opportunities that were being lost due to time constraints of transmitting from a foreign location and improved our reaction time due to a changing environment. Uplinking from the source also helps in producing live programs that involve comparatively lower costs and increase interaction with the viewers making a direct impact on the viewership ratings and opening a new avenue of call-in revenues.

CATEGORIES OF PROGRAMS





2.3 REVENUE STREAMS

The Company in relation to exploring new avenues of revenue sources is also active in selling program rights of its programs in international markets and have already entered in United States, United Kingdom, Canada and Afghanistan. The negotiations in other parts of the world including India, South Africa and Australia are under way. Another area where work is in full swing is for DVD releases of our popular programs that will also add to our revenue streams.

3. OPERATING RESULTS

After the completion of 1½ years of launch of its first channel the net revenues of the company grew from Rs. 16 Million (June 30, 2005) to Rs. 282 Million (June 30, 2006). The company has recorded a loss before taxation of Rs. 8.4 Million for the year However due to the recognition of deferred tax asset of Rs. 58.9M the net profit after taxation comes to Rs. 48.8M as compared to a net loss after taxation of Rs. 142.3 M of June 30, 2005.

4. KEY FINANCIAL DATA:

4.1 Profit After Taxation

	2006	2005
Loss Before Taxation	(8,437,341)	(142,217,090)
Taxation	57,330,574	(100,055)
Net Profit for the year	48,893,233	(142,317,145)

The positive impact in the taxation figure is due to the recognition of deferred tax asset of Rs. 58,932,096 in the profit & Loss account this year. Last year deferred tax asset was not recognized as, at that stage it could not be established with reasonable certainty that it will reverse in future.

4.2 Earnings per Share

The earning per share for the year was



Re. 1.00 as compared to the Loss per share of Rs. 20.48 in June 30, 2005. Reasons for major increase have been explained in the profit after taxation.

4.3 Operating data

	2006	2005
Net Revenue	281,949,641	16,767,984
Cost Of Production	(201,443,732)	(90,751,827)
Gross Profit/ (Loss)	80,505,909	(73,983,843)
Operating Loss	(10,053,270)	(143,336,525)

5. FUTURE OUTLOOK

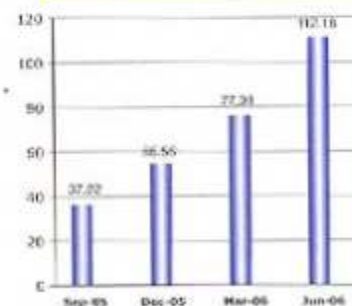
5.1 HUM TV

As discussed earlier the Company with its first Channel "Hum TV" shows an upward growth in terms of revenues as well as viewer ship ratings as is evident from a quarter over quarter growth in the year ended June 30, 2006. After sustaining losses till Feb 2006, the Company posted profits from March 2006 and the same trend is continuing. The future of this Channel looks promising as the popularity and acceptability of this Pure Entertainment Channel both in the circles of television viewers as well as the ad agencies is increasing day by day.

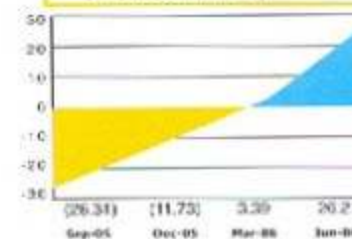
5.2 MASALA

Your Company, being alive to the growing demands of the media industry

Net Revenues
(Rupees in Million)



Profit / (Loss) before Tax
(Rupees in Million)





and to further strengthen the brand image and revenue base, is also launching another channel "Masala" a pure food related channel mainly catering to South East Asia food recipes. This will be a 24 hours channel a first of its kind in South Asia. This strategic decision was taken considering the cultural norms in our part of the world and which also supplements our first channel philosophy. With this addition to the Network, we will be better placed among the advertisers specially those FMCG companies dealing in food and related items and other clients whose

main target audience is women. No additional sources of funds will be required to launch Masala channel and will be managed from own resources of Eye Television Network Limited.

5.3 YOUTH CHANNEL

With the addition of "Masala" channel under the flag of Eye Television Network Limited, the company plans to launch a youth channel in affiliation with UNICEF in the later part of financial year 2006-2007. The basic MOU has already been signed between the two parties and this channel would also be a unique experience for the viewers in this part of the world, whereby youth of Pakistan will be given independent opportunities of training and hands on experience in the field of production as well as the technical side involved in the operation of a television channel.

5.4 OTHER CHANNELS

After the launch of Masala & Youth ETNL (Eye Television Network Ltd) management is working on the possibilities of news and other niche channels. At this point it is difficult to judge the viability of these channels. However, your management will be keeping in view the market scenario and not miss opportunities for the growth of your company.





MEETINGS OF THE DIRECTORS

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

* Appointed on the Board w.e.f. August 25, 2005

** Resigned w.e.f. August 25, 2005

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 2006-2007

Corporate Governance and Financial Reporting Framework:

- The financial statements, prepared by the management of the company, presents 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 & Company Secretary	-
- Pattern of shareholding is included in the annexed shareholders' information.

For and on behalf of the Board of Directors

Sd-

Chief Executive
Duraid Qureshi

October 04, 2006
Karachi



Auditors'

Report to the Members

We have audited the annexed balance sheet of **EYE TELEVISION NETWORK LIMITED** as at **June 30, 2006** 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 year 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 include 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 consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year 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, 2006** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

October 04, 2006
KARACHI

Sd-
FORD RHODES SIDAT HYDER & CO
CHARTERED ACCOUNTANTS

Balance Sheet

as at June 30, 2006

	Note	2006 Rupees	2005 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	126,921,868	117,153,717
Intangible assets	5	5,368,794	5,833,794
		132,290,662	122,987,511
Long term deposits	6	9,736,417	5,778,685
Deferred costs	7	5,663,348	7,551,130
Television program costs	8	63,813,706	29,683,070
Deferred tax asset	9	58,932,096	-
		270,436,229	166,000,396
CURRENT ASSETS			
Inventories		59,252	340,549
Current portion of television program costs	8	70,534,904	36,353,766
Trade debts	10	160,465,211	17,098,463
Loan and advances	11	9,411,566	6,984,121
Trade deposits and short term prepayments	12	355,646	1,772,319
Interest accrued		17,789	132,389
Other receivables		1,542,348	681,032
Taxation - net		4,541,733	143,959
Cash and bank balances	13	12,065,056	29,039,083
		258,993,505	92,545,681
TOTAL ASSETS		529,429,734	258,546,077

Sd-

Sultana Siddiqui
Chairperson

Sd-

Duraid Qureshi
Chief Executive

Balance Sheet

as at June 30, 2006

	Note	2006 Rupees	2005 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
70,000,000 (2005: 70,000,000) ordinary shares of Rs.10/- each		<u>700,000,000</u>	<u>700,000,000</u>
Issued, subscribed and paid-up capital	14	<u>500,000,000</u>	<u>350,000,000</u>
Accumulated loss		<u>(93,423,912)</u>	<u>(142,317,145)</u>
		<u>406,576,088</u>	<u>207,682,855</u>
Share subscription money		-	3,265,000
		<u>406,576,088</u>	<u>210,947,855</u>
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	15	<u>20,357,675</u>	-
Deferred liabilities	16	<u>7,292,876</u>	2,170,000
		<u>27,650,551</u>	<u>2,170,000</u>
CURRENT LIABILITIES			
Trade and other payables	17	<u>87,815,598</u>	45,428,222
Current portion of liabilities against assets subject to finance lease	15	<u>7,387,497</u>	-
		<u>95,203,095</u>	<u>45,428,222</u>
COMMITMENTS			
	18	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>529,429,734</u></u>	<u><u>258,546,077</u></u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Sd-
Sultana Siddiqui
Chairperson

Sd-
Duraid Qureshi
Chief Executive

Profit and Loss Account

for the year ended June 30, 2006

	Note	2006 Rupees	From January 01, to June 30, 2005 Rupees
Revenue – net	19	281,949,641	16,767,984
Cost of production	20	(167,894,957)	(74,763,675)
Transmission cost		(33,548,775)	(15,988,152)
		(201,443,732)	(90,751,827)
Gross profit / (loss)		80,505,909	(73,983,843)
Distribution cost	21	(23,203,543)	(17,159,172)
Administrative expenses	22	(67,355,636)	(52,193,510)
		(10,053,270)	(143,336,525)
Other operating income	23	2,153,558	1,360,718
		(7,899,712)	(141,975,807)
Finance cost	24	(537,629)	(241,283)
Loss before taxation		(8,437,341)	(142,217,090)
Taxation	25	57,330,574	(100,055)
Net profit / (loss) for the year / period		48,893,233	(142,317,145)
Profit / (loss) per share – basic and diluted	26	1.00	(20.48)

The annexed notes from 1 to 32 form an integral part of these financial statements.

Sd-
Sultana Siddiqui
Chairperson

Sd-
Duraïd Qureshi
Chief Executive

Cash

Flow Statement

for the year ended June 30, 2006

	Note	2006 Rupees	From February 25, 2004 to June 30, 2005 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	27	(121,701,262)	(145,368,892)
Tax paid		(5,999,294)	(244,014)
Finance cost paid		(537,629)	(241,283)
Interest received		1,852,403	1,184,104
Long term deposits		(3,957,732)	(5,778,685)
Television program cost		(34,130,636)	(29,683,070)
Net cash used in operating activities		(164,474,150)	(180,131,840)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(27,102,107)	(135,205,165)
Proceeds from disposal of fixed assets		122,060	550,000
Deferred costs		-	(9,438,912)
Net cash used in investing activities		(26,980,047)	(144,094,077)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds against issue of shares		146,735,000	350,000,000
Proceeds against share subscription money		-	3,265,000
Proceeds from sale and lease back of fixed assets		29,300,668	-
Repayment of liabilities under finance lease		(1,555,498)	-
Net cash generated from financing activities		174,480,170	353,265,000
Net (decrease)/increase in cash and bank balances		(16,974,027)	29,039,083
- Cash and bank balances at the beginning of the year / period		29,039,083	-
Cash and bank balances at the end of the year / period		12,065,056	29,039,083

The annexed notes from 1 to 32 form an integral part of these financial statements.

Sd-
Sultana Siddiqui
Chairperson

Sd-
Duraid Qureshi
Chief Executive

Statement

of Changes in Equity

for the year ended June 30, 2006

	Issued, subscribed and paid-up share capital	Accumulated loss Rupees	Total
Shares issued during the period	350,000,000		350,000,000
Net loss 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>
Shares issued during the year	150,000,000	-	150,000,000
Net profit for the year	-	48,893,233	48,893,233
Balance as at June 30, 2006	<u><u>500,000,000</u></u>	<u><u>(93,423,912)</u></u>	<u><u>406,576,088</u></u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

Sd-
Sultana Siddiqui
Chairperson

Sd-
Duraid Qureshi
Chief Executive