



DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the Annual Report, Audited Accounts and Auditors Report thereon of the Company for the year ended 30th June 2007.

1. GENERAL OVERVIEW

1.1. INTRODUCTION

In continuation of the trends that are prevalent in the media industry, the industry continue to grow with a phenomenal rate and currently there are approx 55 Pakistani channels and a lot of new competitors are entering the media arena.

Large print media groups are now investing in television news channels and electronic media Companies. Existing networks including yours are opening up more niche channels making the number of channels for the coming year phenomenal.

The policies of Pakistan Electronic Media Regulatory Authority (PEMRA) have been very positive in supporting this growth. However, the control of PEMRA on cable operators seems to be lacking as pirate programming on cable and banned channels on cable continue being aired.

Pakistan today enjoys a well balanced, investment friendly and open media policy.

1.2 PAKISTAN BROADCASTERS ASSOCIATION

Pakistan Broadcasters Associations (PBA) that was formed in 2005 as a platform to the Broadcasters for raising their concerns on areas affecting the industry as a whole and for the safeguard of rights of the broadcasters in Pakistan has been working efficiently and has been instrumental in addressing various issues concerning the industry.

The clearance house function of the Association has also improved tremendously and after going through several developmental phases taking all the stake holders' concerns into account, it has now started to function appropriately. However, there remains some fine tuning in order to fully achieve what is expected from this function.

Once this is fully implemented, the industry will benefit as a whole and receivable positions of Broadcasters as well as advertising agencies will improve significantly.

Your company being a founder member of PBA has been actively involved in its policy making and evaluation and improvement of its systems and policies.

DIRECTORS' REPORT

1.3 TELE METERS

The success of a channel is determined with its viewership ratings. These ratings are very important in order to gauge the overall performance of the channels and are normally determined in terms of popularity of the channel in different age groups, genders, time bands, and in urban and rural populations. This data is used by advertisers and advertising agencies in order to determine their target markets for their products. Viewership data is gathered and compiled by independent research organizations and currently this data is being compiled under conventional diary system that is being filled by the selected sample mainly on recall basis.

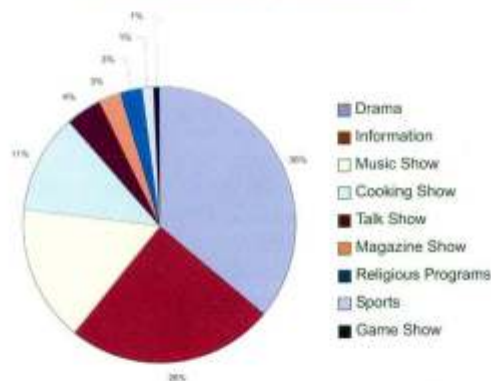
In 2007, through the efforts of the Pakistan Advertiser's Society (PAS), PBA and representatives of media buying houses, an independent research company (Medialogic) has been awarded a contract for gathering this information through the use of telemeters. Telemeter is a small device that is attached to the television set of the (sample) people selected by the research company and this device directly transmits the viewership pattern to the research company through wireless modems.

It is expected that due to the accuracy of the data based on actual viewership details a lot of change will happen in future in terms of perception and viewership ratings for all the channels being viewed in Pakistan. However, currently one cannot ignore the importance of data gathered through diary panel as it covers more than 16 cities, metros and towns both in rural and urban population in Pakistan.

1.4 DISTRIBUTION AND CABLE OPERATORS

A major role in the success of a satellite television channel is played by its distribution network. Distribution of a satellite channel is done mainly by cable network in Pakistan. Most of these networks are small in size and run under unorganized

CATEGORIES OF PROGRAMS



sector. At present these cable networks have a capacity to carry a limited number of channels. Due to this limitation it is becoming difficult day by day to have new channels added in the existing cable network. Good quality content is key to successful cable distribution. Your both channels "HUM TV" and "Masala" are highly demanded channels; hence all cable operators are interested in carrying these channels at premium positions. However, Cable and Direct to Home (DTH) operators locally and internationally are demanding carriage fees from new channels.



DIRECTORS' REPORT

2. PROGRESS (Year in Review)

2.1 HUM TV



Hum TV the first channel of Eye Television Network Ltd (ETNL) continues to be our major brand. Being a "Pure Entertainment" channel Hum TV has been achieving new heights of growth by every passing year both in terms of revenue and viewership ratings as is also evident from the results of the past three years. Main reason for this growth is constant endeavor of the management to ensure quality entertainment programming is provided to its viewers. Be it dramas, soaps, music shows, current affairs programming, talk shows or religious shows, quality and the content of the program is the key factor in making the viewers stick to a particular television channel.

Hum TV which has now made its place as one of the best entertainment channels in Pakistan has aired some mega hit block buster dramas and talk shows like Mere Paas Paas, Bebak, Dil Diya Dehlez, Man-o-Salwa, Najiah, Machis and Apne Andaz Se. In order to acquire good quality programming and to maintain an edge over the cut throat competition, continuous heavy investment in programming is required in addition to maintaining a balanced mix of programs catering to the interest of different segments of our viewers. Being alive to this fact and consistent with previous years, ETNL invested Rs. 248 M towards programming of Hum TV in the year ended 30 June 2007. This investment is critical and in future we will ensure that the standards are not only met but continuously improved.



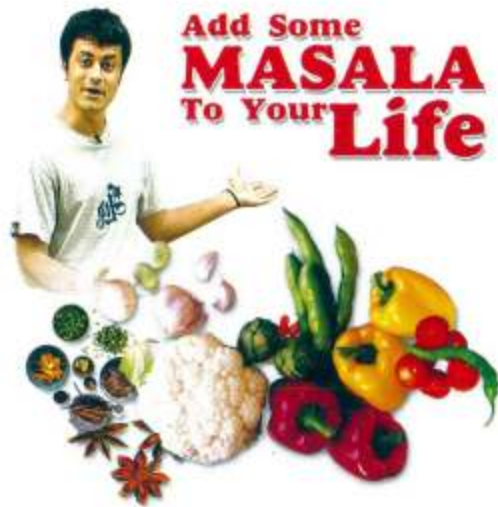
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DIRECTORS' REPORT

2. PROGRESS (Year in Review)

2.2 MASALA TV

This 24 hour food related channel has been in operation for almost 9 months till the year ended 30 June 2007. The decision of launching this niche channel was taken considering the cultural norms in our part of the world which would also supplement the philosophy of our first channel i.e. Entertainment. This channel has also been very popular among our female audience and has made its mark in a very short span of time and with this addition we have been able to place ourselves a leader in specialized channels. This has also helped us tap the potential revenue resources especially from FMCG companies, dealing in food and related items, and other clients whose main target audience is female. We have also entered into some strategic alliances with some of our advertisers for the promotion and positioning of Masala TV.



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DIRECTORS' REPORT

2. PROGRESS (Year in Review)

2.3 STYLE DUNIYA & YOUTH

Style Duniya Network (SDN) was a cable channel being mainly operational in Punjab and Frontier region of Pakistan. This channel concentrated on the life style and fashion industry of Pakistan and was quite successful as a small scale cable based channel in the above mentioned regions. ETNL in its initial days also acquired some content for HUM TV from SDN for its fashion and life style segment. SDN also exported its contents to Prime UK and ATN Canada for South East Asian and Pakistani viewers. SDN was operational as a cable channel since 2003.

In order to further strengthen the channel base of ETNL and considering the overall philosophy of creating a niche in different fields and areas of entertainment, a study was conducted and it was felt that SDN would be a beneficial addition to the ETNL bouquet. Accordingly, ETNL has decided to acquire the trade mark and the entire archival library of SDN and plans to launch SDN as an international satellite television channel.

A major part of our population comprises of youth. A channel specifically designed keeping in view the needs and interest of youth is being launched by your network very soon. To understand their media habits and aspirations a detailed research study was conducted in collaboration with UNICEF through A C Nielsen. Keeping in view this study we are hopeful that this youth channel would be one of the most successful channel for the younger generation of Pakistan.



DIRECTORS' REPORT

2. PROGRESS (Year in Review)

2.4 OTHER MATTERS

In the year under review, considerable attention has been given to the marketing and promotion activities for the brand building of both HUM TV and Masala. These activities were undertaken at both local and on international levels. Extensive marketing and door to door campaigns were planned and executed mainly in Punjab this year. Internationally, HUM TV also sponsored the Pakistan Pavilion at the Dubai Shopping Festival which stretched for two whole months where a variety of entertainment programs were presented including some major concerts and fashion shows conducted by HUM TV with some major Pakistani artists and performers of fame. Due to the nature and competition of the business and in order to maintain its edge ETNL will continue to build its brands through extensive marketing and promotion activities in the year to come.

Due to the rapid growth and expansion plans and due to the huge costs involved in relocation, the Company also decided to acquire the building, housing the current head office/registered office of the Company by arranging a long term finance facility from a commercial bank. In order to survive the cut throat competition and the requirement of consistent investment in quality programming, it was decided that the construction that was planned on the land already held by the Company should be deferred and the mobilization advance extended to the contractors should be taken back. Out of the total Rs.29M advanced Rs. 25M has already been received back and the balance would also be recovered within the first quarter of the next year.





DIRECTORS' REPORT

3. OPERATING RESULTS

After the completion of 2 ½ years of launch of its first channel the net revenues of the company grew from Rs. 16 Million (June 30, 2005) and Rs. 282 Million (June 30, 2006) to Rs. 535 Million (June 30, 2007). The company has recorded a profit before taxation of Rs. 1.46 Million for the year, and has also been able to wipe off its entire accumulated losses of previous years. However, as there is a small balance of accumulated profit after wiping off the accumulated losses of previous years and due to future capital commitments of the Company relating to launching of new channels it has been recommended by the Directors that no dividend should be declared for the year ended June 30, 2007. Out of the total deferred tax asset worth Rs. 59M recognized last year, Rs. 43M have been reversed in the current year. The net profit after taxation comes to Rs. 100M [Rs. 49 M, June 30, 2006].

4. KEY FINANCIAL DATA

4.1 Profit After Taxation

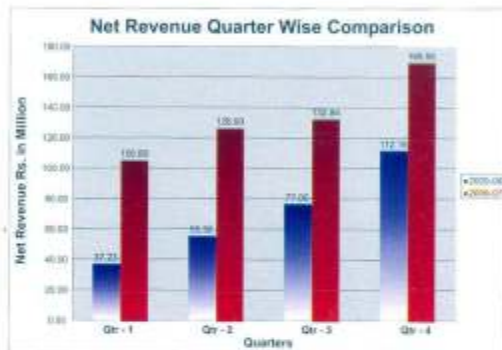
Profit Before Taxation	Rupees
Taxation	146,238,200
Net Profit for the year	45,834,062
	100,404,138

4.2 Earnings per Share

The earnings per share for the year is Rs. 2.01 (Rs. 1.00, June 30, 2006).

4.3 Operating Data

	2007	2006
	----- Rupees -----	
Net Revenue	535,315,985	281,949,641
Cost Of Production	(244,628,088)	(201,443,732)
Gross Profit	290,687,897	80,505,909
Operating Profit/ (Loss)	151,582,164	(9,907,806)



DIRECTORS' REPORT

5. FUTURE OUTLOOK

Your Company intends to expand its operations by launching 2-3 additional channels in the year 2008. The first two years of operations of these channels will be supported by existing channels. International distribution is of prime focus and efforts are underway to distribute Hum TV and Masala to other countries.

Telemeter ratings will play critical role in future advertising revenues. Hopefully Hum TV and Masala will benefit from these new measurement techniques.

Subscription revenues for encrypted channels will be another source of revenues in future. DTH operations in Pakistan may start a new era in controlling piracy and subscription revenues. At present PEMRA has not issued any license to the two final bidders due to various reasons. PTV has been given a license to start DTH operations but unfortunately they have not been able to finalise the launch.

6. MEETINGS OF THE DIRECTORS

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

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





DIRECTORS' REPORT

7. AUDITORS

The Present auditors Messers Ford Rhodes Sidat Hyder & Co. Chartered Accountants shall retire and maybe considered for re-appointment for the year 2007-2008.

8. 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.
- Summary of key operating and financial highlights of the last three financial years is attached to this report.

- There has 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

Karachi
October 06, 2007

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Chief Executive
Duraid Qureshi



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of EYE TELEVISION NETWORK LIMITED (the Company) as at June 30, 2007 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 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 :

- | | |
|---|---|
| <p>a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;</p> <p>b) in our opinion :</p> <ul style="list-style-type: none">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 except for the change as stated in note 4.2.1 to the financial statements, with which we concur;ii) the expenditure incurred during the period was for the purpose of the Company's business; andiii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company; | <p>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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and</p> <p>d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).</p> |
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KARACHI
October 06, 2007

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Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS



Balance Sheet

As at June 30, 2007

	Note	2007 ----- Rupees	2006 -----
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	164,688,828	126,921,868
Intangible assets	6	9,166,826	5,368,794
Long term deposits and prepayments	7	8,211,751	9,736,417
Deferred costs	8	3,775,567	5,663,348
Television program costs	9	75,655,914	63,813,706
Deferred tax assets	10	16,209,152	58,932,096
		<u>277,708,038</u>	<u>270,436,229</u>
CURRENT ASSETS			
Inventories		337,137	59,252
Current portion of television program costs	9	101,449,749	70,534,904
Trade debts	11	245,087,323	160,465,211
Advances, deposits and prepayments	12	8,188,012	9,787,212
Interest accrued		159,682	17,789
Other receivables		1,643,425	1,542,348
Taxation - net		29,247,315	4,541,733
Cash and bank balances	13	31,247,869	12,085,056
		<u>417,360,512</u>	<u>258,993,505</u>
TOTAL ASSETS		<u>695,068,550</u>	<u>529,429,734</u>

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SULTANA SIDDIQUI
Chairperson

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DURAID QURESHI
Chief Executive



EQUITY AND LIABILITIES
SHARE CAPITAL AND RESERVES

Authorised capital

70,000,000 (2006: 70,000,000) ordinary shares of Rs.10/- each

Issued, subscribed and paid-up capital

Unappropriated profit / (loss)

NON-CURRENT LIABILITIES

Long term financing

Liabilities against assets subject to finance lease

Deferred liabilities

CURRENT LIABILITIES

Trade and other payables

Current portion of:

- long term financing

- liabilities against assets subject to finance lease

COMMITMENTS

TOTAL EQUITY AND LIABILITIES

The annexed notes from 1 to 34 form an integral part of these financial statements.

Note	2007	2006
	Rupees	
	700,000,000	700,000,000
14	500,000,000	500,000,000
	6,980,226	(93,423,912)
	506,980,226	406,576,088
15	65,333,333	-
16	12,672,451	20,357,675
17	8,603,117	7,292,876
	86,608,901	27,650,551
18	87,641,248	87,815,598
15	4,666,667	-
16	9,171,508	7,387,497
	101,479,423	95,203,095
19		
	695,068,550	529,429,734

Balance Sheet
As of June 30, 2007

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SULTANA SIDDIQUI
Chairperson

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DURAIQ QURESHI
Chief Executive



Profit & Loss Account
for the year ended June 30, 2007

		2007	2006
	Note	----- Rupees -----	-----
Revenue – net	20	535,315,985	281,949,641
Cost of production	21	(227,465,657)	(167,894,957)
Transmission cost		(17,162,431)	(33,548,775)
		(244,628,088)	(201,443,732)
Gross profit		<u>290,687,897</u>	<u>80,505,909</u>
Distribution cost	22	(52,232,112)	(23,203,543)
Administrative expenses	23	(86,873,621)	(67,210,172)
		<u>151,582,164</u>	<u>(9,907,806)</u>
Other operating income	24	2,684,280	2,153,558
		<u>154,266,444</u>	<u>(7,754,248)</u>
Finance cost	25	(8,028,244)	(683,093)
Profit / (loss) before taxation		<u>146,238,200</u>	<u>(8,437,341)</u>
Taxation	26	(45,834,062)	57,330,574
Net profit for the year		<u>100,404,138</u>	<u>48,893,233</u>
Earnings per share – basic and diluted	27	<u>2.01</u>	<u>1.00</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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SULTANA SIDDIQUI
Chairperson

sd-
DURAJD QURESHI
Chief Executive



CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2007 ----- Rupees -----	2006
Cash generated from / (used in) operations	28	66,067,857	(121,701,262)
Income taxes paid		(27,816,700)	(5,999,294)
Staff compensated absences		(723,523)	-
Finance cost paid		(5,748,927)	(537,629)
Interest received		1,178,882	1,852,403
Long term deposits		1,524,666	(3,957,732)
Television program costs		(11,842,208)	(34,130,636)
Net cash generated from / (used in) operating activities		22,640,047	(164,474,150)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(67,556,021)	(27,102,107)
Sale of operating fixed assets	-	122,060
Net cash used in investing activities	(67,556,021)	(26,980,047)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of share capital	-	146,735,000
Proceeds from long term financing	70,000,000	-
Proceeds from sale and lease back of fixed assets	-	29,300,668
Payment of liabilities under finance lease	(5,901,213)	(1,555,498)
Net cash generated from financing activities	64,098,787	174,480,170
Net increase / (decrease) in cash and bank balances	19,182,813	(16,974,027)
Cash and bank balances at the beginning of the year	12,065,056	29,039,083
Cash and bank balances at the end of the year	31,247,869	12,065,056

The annexed notes from 1 to 34 form an integral part of these financial statements.

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SULTANA SIDDIQUI
Chairperson

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DURAID QURESHI
Chief Executive

Cash Flow Statement
for the year ended June 30, 2007



Statement of changes
in equity
for the year ended June 30, 2007

	Issued, subscribed and paid-up capital	Unappropriated profit / (loss)	Total
	-----Rupees-----		
Balance as at July 01, 2005	350,000,000	(142,317,145)	207,682,855
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>500,000,000</u>	<u>(93,423,912)</u>	<u>406,576,088</u>
Net profit for the year	-	100,404,138	100,404,138
Balance as at June 30, 2007	<u>500,000,000</u>	<u>6,980,226</u>	<u>506,980,226</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

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SULTANA SIDDIQUI
Chairperson

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DURAID QURESHI
Chief Executive