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# ANNUAL REPORT 2009



**SOUTHERN NETWORKS LIMITED**

**SouthernNetworks Limited Financial statements  
For the Year Ended June 30, 2009**



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## Company Information

<b>Board of Directorş</b>	Mr. Neville Mehta Mr. Nisar Ahmed Mr. Abdul Hameed Mr. Muhammad Younus Mrs.Saeeda Hassan Ali Effendi Mr. Maqbool Mughal Miss Abida Iffat	Chief Executive Officer Director Director Director Director Director Director
<b>Audit Committee</b>	Mr. Nisar Ahmed Mr. Muhammad Younus Mrs.Saeeda Hassan Ali Effendi	Chairman
<b>Company Secretary</b>	Mr. Abdul Hameed FCA	
<b>Chief Financial Officer</b>	Rana Muhammad Ali FCMA	
<b>Auditors</b>	Jalis Ahmed & Company. Chartered Accountants	
<b>Bankers</b>	Royal Bank of Scotland Bank Al-Habib Limited	
<b>Registered Office</b>	5-Y Block-6 P.E.C.H.S. Karachi	



## Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the shareholders of Southern Networks Limited is scheduled to be held on Tuesday October 27, 2009 at 12:30 p.m. at the Registered Office, 5-Y, Block-6, P.E.C.H.S. Karachi to transact the following business:-

1. To confirm the Minutes of the last Annual General Meeting held on 25th October 2008.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2009 together with Reports of Directors and Auditors thereon.
3. To appoint Auditors for the next year and to fix their remuneration. The present Auditors being eligible offer themselves for reappointment.
4. To elect seven Directors of the Company as fixed by the Company's Board of Directors in accordance with Section-178(1) of Companies Ordinance, 1984 for a term of 3-years commencing from 28.10.2009.

The retiring directors are:

- 1) Mr. Neville Mehta
  - 2) Mr. Nisar Ahmed
  - 3) Mr. Abdul Hameed
  - 4) Ms. Saeeda Hassas Ali Effendi
  - 5) Mr. Maqbool Mughal
  - 6) Mr. Mohammad Younus
  - 7) Ms. Abida Iffat
5. To transact any other business with the permission of the Chair.

Karachi  
October 05, 2009

BY ORDER OF THE BOARD

**Abdul Hameed**  
Company Secretary

### NOTES

1. The Share Transfer Books of the Company will remain closed from 21st October 2009 to 27th October 2009 (both days inclusive), transfers received in order at the Company's Registered Office upto the close of business will be treated in time for the purpose of attending the Annual General Meeting.
2. Any person who seeks to contest the election to the office of Director whether he/she is a retiring director or otherwise shall file a Notice of his intention and declaration as required under the Code of Corporate Governance at the registered office in term of Section 178(3) of the Companies Ordinance 1984 not later than 14 (Fourteen) days before the date of the meeting.
3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
4. An individual beneficial owner of shares from CDC must bring his/her original CNIC or Passport, account and participant ID number to prove his / her identity. A representative of Corporate member from CDC must bring Board of Directors Resolution and Power of Attorney and the specimen signature of the nominee shall be produced at the time of meeting.
5. Members are requested to immediately notify the Company any change in their addresses.





## Directors' Report

The Directors of your Company are pleased to present before you the 14th Annual Report of the Company, the Audited Accounts for the year ended June 30, 2009 together with the Reports of Directors and Auditors thereon:

### Financial Results

Your Company's annual turnover for the year under review was Rs.58.796 million as compared to Rs.55.376 million last year. The Company made a net loss of Rs.19.549 million before tax during the year as against Rs.80.643 million in the previous year. The net loss after taxation includes non-cash items such as depreciation, amortization and provision for debtors aggregating Rs.28.890 million, without these non-cash items, the profit for the year is Rs.9.342 million.

Loss per share is Rs.(0.39) this year as compared to Rs (1.62) last year.

### Financial Statements and Internal Control

#### The Directors are pleased to state that:

- (a) The financial statements prepared by the management present fairly the company's state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored;
- (f) There are no significant doubts upon the company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- (h) Key operating data for six years are available in this report.

### Going Concern

- 1) The Company has suffered heavy losses and has over dues with regard to the banks and financial institution; for that, the Company intend to inject further funds by way of:-
  - a) A loan up to an amount of Rs.150 Million has been negotiated from a shareholder of the Company, Loan shall be utilized to pay off debts and payment shall be made from the bank account/accounts of the lender/lenders to the bank/leasing companies. The loan bear markup @ six monthly KIBOR + 1% payable half yearly. The loan is unsecured and payable within 3 years.



## **Auditors' Report**

Auditors have given an adverse opinion on our financial report. In this regard it is stated that the Company has taken the following steps to make worse to good position:-

- a. On the appointment of official liquidator by the Sindh High Court due to non-payment of over dues, one of the share holder has filed application in the hon'able High Court of Sindh for grants a stay order and Court has granted which is still exist. Further negotiation for out of court settlement with the Faysal Bank Limited are also in progress and a favourable response is expected from the bank in the near future.
- b. The management of the Company is continuously negotiating with the loan granted bank and financial institutions for final settlement of over dues, up to finalization of these accounts the company has paid to the following banks/financial institutions, negotiated/agreed amount of Rs.27 Million and also obtained clearance certificate:-
  - A. Orix Leasing Co. Ltd.,
  - B. Saudi Pak Leasing,
  - C. First Dawood Investment Bank
  - D. B.R.R International Modaraba

## **Appropriation**

Since the company has incurred a loss this year and also carry accumulated losses in the balance sheet, the directors have not recommended any dividends to the shareholders

## **Auditors**

The present Auditors M/s Jalis Ahmed & Company, Chartered Accountants will retire at the forthcoming AGM and being eligible have consented for reappointment as Auditors of the Company for the year 2009 – 2010.

## **Future Outlooks**

The management is presently focusing on the settlement of over dues loan of the banks/leasing companies and after their settlement new business plan will be worked out to take new position in the market.

## **Acknowledgement**

The Board would like to place on record its appreciation to all of its subscribers, supplier and the employees of the Company for their commitment, hard work and cooperation throughout the year.

Board of Directors Meetings held during the Year.

Six Board of Directors meetings were held during the year July 1, 2008 to 30.06.2009. The following list shows the attendance of each Director at Board meeting.





	Name	Meeting attendance	
1.	Nisar Ahmed	6	
2.	Asif Ali Mufti	1	Resigned w.e.f. 02.07.2008
3.	Adnanul Karim	1	Resigned w.e.f. 30.10.2008
4.	Neville Mehta	6	
5.	Mrs. Saeeda Hassan Ali Affendi	4	
6.	Aqil Qureshi	3	Resigned w.e.f. 23.04.2009
7.	Maqbool Mughal	5	
8.	Abdul Hameed	3	Appointed w.e.f. 30.10.2008
9.	Mohammad Younus	4	Appointed w.e.f. 02.07.2008
10.	Miss. Abida Iffat	1	Appointed w.e.f. 23.04.2009

#### Pattern of Shareholding

A statement showing the pattern of shareholding as of June 30, 2009 is attached.

For and on Behalf of the Board

Karachi  
October 05, 2009

**Neville Mehta**  
Chief Executive Officer



## Statement of Compliance with code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in regulation No.2(10) SE/SMD/2002 (page no III-33) of listing regulation of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:-

1. The Company encourages representation of independent non-executive director and directors representing minority interest on its Board of Directors. At present the Board includes four independent non-executive directors and no director represent minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or an NBFIs or, being a members of stock exchange.
4. A casual vacancy occurring in the Board was filled up by the Directors immediately thereof.
5. The company has prepared a "Statement of ethics and Business practices," which has been signed by Directors and senior employees of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the power of the Board have been duly exercised and the decisions on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken up by the Board.
8. The Meetings of the Boards were presided over by the Chairman and in his absence, by a director elected by the Board of this purpose and the Board is required to meet at least once in every quarter. Written notice of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. An orientation course on Code of Corporate Governance was conducted for those directors who are not already on the Board of other listed companies.
10. The Board has approved the appointment of CFO, Company Secretary and head of internal audit.





11. The directors' report for the year ended has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, of whom all are non executive directors including the chairman of the committee.
16. The meeting of the audit committee were required to be held at least once in every quarter. The terms of reference of the Audit Committee have been formed and advise to the committee for compliance.
17. The Board has set up of internal audit function.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the institute of Chartered Accountants of Pakistan. That they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with international federation of accounts (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.

**Neville Mehta**  
Chief Executive

# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Southern Networks Limited (the company) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's Compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquire of the company personnel and review of various documents prepared by the company to comply with Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

**Date:**  
**Place: KARACHI**

**Jalis Ahmad & Co.**

Chartered Accountants  
Audit Engagement Partner:  
**Mr. Iqbal Yuosuf FCA**





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Southern Networks Limited as at June 30, 2009 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—

- (a) with reference to note 18 to the financial statements, the company in respect of staff gratuity has not carried out actuarial valuation as required by International Accounting Standard (IAS - 19) "Employees' Benefits";
- (b) as fully explained in note 1.4, 14.1, 15.1, 19.1 and 19.2 to the financial statements, the company has incurred loss of Rs. 19.548 million for the year and its accumulated losses comes to Rs. 611.451 million as at June 30, 2009. Thus, causing a net capital deficiency of Rs. 25.237 million. The current liabilities have exceeded the current assets by Rs. 167.103 million. Furthermore, on the petition of one of the lenders of the company, an order has been passed by the High Court of Sindh to liquidate the company and has appointed an official liquidator, against which stay order has been obtained by the company. Consequent to the liquidation order, the Karachi stock exchange has suspended the trading in the shares of the company. The said conditions indicate a material uncertainty which may cast a significant doubt on the company's ability to continue as a going concern;
- (c) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (d) 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 accounts 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;
- (e) Owing to the significance of the matters on the financial statements, as discussed in the preceding paragraphs, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profits and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof do not give a true and fair view of the state of the company's affairs as at June 30, 2009 and of its loss, its cash flows and changes in equity for the year then ended, in accordance with the financial reporting framework as referred to in the above paragraph;
- (f) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**Date:**  
**Place: KARACHI**

**Jalis Ahmad & Co.**  
Chartered Accountants  
Audit Engagement Partner:  
**Mr. Iqbal Yuosuf FCA**





## Balance Sheet As at June 30, 2009

	Note	2009 Rupees	2008 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	136,055,990	158,893,637
Capital work in progress	5	3,891,298	3,891,298
Intangible assets	6	26,402,106	31,302,641
Long term deposits	7	4,386,000	5,993,178
		170,735,394	200,080,754
<b>CURRENT ASSETS</b>			
Stocks-in-trade	8	4,851,578	4,019,496
Trade debts	9	1,027,725	6,887,957
Loans and advances	10	4,388,391	5,229,321
Deposits, prepayments and others receivable	11	191,842	5,340,292
Taxes refundable - net of provision		1,802,590	1,238,874
Cash and bank balances	12	1,149,708	1,022,489
Total current assets		13,411,834	23,738,429
<b>CURRENT LIABILITIES</b>			
Trade and others payable	13	26,369,541	26,701,656
Accrued mark-up		749,622	3,757,175
Short term borrowings	14	17,301,426	17,301,426
Consumer finance payable	15	121,585,424	121,585,424
Current maturity of long term financing		1,357,102	1,357,102
Current maturity of lease liabilities		13,152,265	47,436,904
<b>Total current liabilities</b>		180,515,380	218,139,687
<b>Net current assets/(liabilities) position</b>		(167,103,546)	(194,401,258)
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	16	27,000,000	-
Deferred liability - staff gratuity	17	-	8,423,909
	18	1,869,060	2,964,262
<b>Total non-current liabilities</b>		28,869,060	11,388,171
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19		
<b>Net assets</b>		<b>(25,237,213)</b>	<b>(5,708,675)</b>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
75,000,000 (2008: 75,000,000) ordinary shares of Rs.10/- each		<b>750,000,000</b>	<b>750,000,000</b>
<b>Issued, subscribed and paid-up share capital</b>	20	499,775,000	499,755,000
Capital reserve - share premium	21	86,438,628	86,438,628
Accumulated losses carried forward		(611,450,841)	(591,902,303)
		(525,012,213)	(505,463,675)
<b>Net shareholders' equity</b>		<b>(25,237,213)</b>	<b>(5,708,675)</b>

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

Chief Executive

Director



## Profit and Loss Account for the Year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
<b>Revenue</b>			
Cost of sales and services (excluding depreciation)	<b>22</b>	58,796,066	55,367,404
<b>Gross profit/(loss) before depreciation</b>	<b>23</b>	43,358,473	50,460,079
		<u>15,437,593</u>	<u>4,907,325</u>
Depreciation (relating to cost of sales and services)		22,071,084	25,883,497
<b>Gross profit/(loss)</b>		<u>(6,633,491)</u>	<u>(20,976,172)</u>
Other operating income	<b>24</b>	13,537,757	1,831,581
		<u>6,904,266</u>	<u>(19,144,591)</u>
Administrative expenses			
Selling expenses	<b>25</b>	9,727,495	12,966,542
	<b>26</b>	16,381,447	17,995,521
<b>Operating profit/(loss)</b>		<u>26,108,942</u>	<u>30,962,063</u>
		<u>(19,204,676)</u>	<u>(50,106,654)</u>
Financial charges			
<b>Profit/(loss) before tax</b>	<b>27</b>	343,862	30,536,350
		<u>(19,548,538)</u>	<u>(80,643,004)</u>
Tax expense			
<b>Profit/(loss) for the year after tax</b>	<b>28</b>	-	286,022
		<u>(19,548,538)</u>	<u>(80,929,026)</u>
<b>Earnings per share - basic</b>	<b>29</b>	<u>(0.39)</u>	<u>(1.62)</u>

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

Chief Executive

Director



## Cash Flow Statement for the Year ended June 30, 2009

	Note	2009 Rupees	2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/(loss) before taxation</b>			
<b>Adjustment for non-cash items:</b>		(24,061,594)	(80,643,004)
Depreciation			
Amortization of intangible assets		23,990,308	28,134,236
Financial charges		4,900,535	5,219,011
Amortization of deferred cost		343,862	30,536,350
Loss/(gain) on disposal of fixed assets		-	3,224,216
Impairment loss against doubtful trade debts		-	45,674
Gratuity provided during the year		-	-
		483,084	690,214
<b>Profit/(loss) before working capital changes</b>		29,717,789	67,849,701
<b>Changes in working capital</b>		10,169,251	(12,793,302)
<b>Decrease / (increase) in current assets</b>			
Stock in trade			
Trade debts		(832,082)	1,894,673
Loan and advances		5,860,232	9,359,319
Deposits, prepayments and others receivable		840,930	28,266
Taxes refundable		5,148,451	1,027,833
<b>Increase / (decrease) in current liabilities</b>		(563,716)	(559,173)
Trade and others payable		(332,115)	481,945
		10,121,700	12,232,863
		20,290,951	(560,439)
Financial charges paid			
Gratuity paid/adjusted		(3,351,415)	(1,275,287)
		(1,578,286)	(686,436)
<b>Net cash inflow/(outflow) from operating activities</b>		(4,929,701)	(1,961,723)
		15,361,250	(2,522,162)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(1,152,661)	(1,735,603)
Sale proceeds/adjustment on disposal of fixed assets		-	85,000
Long term deposits		1,607,178	(153,500)
<b>Net cash inflow/(outflow) from investing activities</b>		454,517	(1,804,103)
		15,815,767	(4,326,265)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease proceeds-net of repayments		(42,708,548)	(1,661,128)
Proceeds / (repayments) of long term loan		-	(480,735)
Share capital		20,000	-
Consumer Finance Payable		-	10,318,518
Short term borrowings - (repayments) / receipts		27,000,000	(4,766,402)
<b>Net cash inflow/(outflow) from financing activities</b>		(15,688,548)	3,410,253
		127,219	(916,012)
<b>Net increase / (decrease) in cash and cash equivalents</b>			
		1,022,489	1,938,501
Cash and cash equivalents at the beginning of the year			
		<b>1,149,708</b>	<b>1,022,489</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>		

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

Chief Executive

Director



## Statement of Changes in Equity for the Year ended June 30, 2009

	<b>Issued Subscribed and paid-up share capital</b>	<b>Capital reserve/ share premium</b>	<b>Unappropriated profits / (accumulated losses)</b>	<b>Net shareholders' equity</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Balance as at July 1, 2007</b>	499,755,000	86,438,628	(510,973,277)	<b>75,220,351</b>
Profit/(loss) for the year	-	-	(80,929,026)	<b>(80,929,026)</b>
<b>Balance as at 30th June 2008</b>	<b>499,755,000</b>	<b>86,438,628</b>	<b>(591,902,303)</b>	<b>(5,708,675)</b>
Increase in share capital	20,000	-	-	<b>20,000</b>
Profit/(loss) for the year	-	-	(19,548,538)	<b>(19,548,538)</b>
<b>Balance as at 30th June 2009</b>	<b>499,775,000</b>	<b>86,438,628</b>	<b>(611,450,841)</b>	<b>(25,237,213)</b>

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

**Chief Executive**

**Director**



## Notes to the Accounts for the Year ended June 30, 2009

### 1 LEGAL STATUS AND OPERATIONS

- 1.1 The company was incorporated in Pakistan on 20 March 1995 under the Companies Ordinance, 1984 as a private company limited by shares and is domiciled in the province of the Company is situated at 5 - Y, Block - 6, PECHS, Karachi.
- 1.2 The principal activity of the company is to distribute Television Channels using state-of-the-art Multi-Channel Multi-point Distribution System (MMDS) digital technology. The company has obtained a license from the Ministry of Information and Broadcasting, Government of Pakistan to establish and operate MMDS television network in Pakistan. The Pakistan Electronic Media Regulatory Authority (PEMRA) has also issued a license to the company to operate the above services in Karachi, Lahore and Islamabad. Additionally, the company has obtained a license from the Pakistan Telecommunication Authority (PTA) to establish, maintain and operate non-voice communication network services in Pakistan.
- 1.3 The company commenced its commercial operations under the digital technology in June 2004.
- 1.4 During the current year the company has incurred gross loss of Rs.6.633 million against the gross loss of Rs. 20.976 million during the preceding year and has accumulated losses of Rs. 611.451 million as at June 30, 2009 (2008: Rs. 591.9 million), thereby causing net capital deficiency of Rs. 25.237 million as at June 30, 2009 (2008 : Rs. 5.708 million). Furthermore, the current liabilities exceed the current assets by Rs. 167.104 million as at June 30, 2009 (2008: 194.401 million).

On the basis of an application filed by one of the lenders of the company, M/s. Faysal Bank Limited for winding up due to non payment of over dues (vide case # JM 13 of 2007), the honorable High Court of Sindh Karachi vide order dated : 16-09-2008 has appointed the official assignee as official liquidator of the company vide letter # CA/6260/08 dated:31-12-2008 received by the company on 06-01-2009. However on the application of one of the shareholders on behalf of the company, High Court of Sindh has granted stay order. This stay order still exist up to the date of finalization of these financial statements. For details please refer to note no 19.3 to these financial statements. Other lenders of the company have followed suit and filed legal cases against the company in respect of recovery of long outstanding dues.

The Company intend to increase funds by short term borrowing up to an amount of Rs.150 Million from one or more shareholders of the company. Loan shall be utilized to pay off debts and payment shall be made from the bank account(s) of the lender(s) to the bank/leasing companies. As of balance sheet date, the company has managed to obtain fund of Rs. 27.0 million appearing under current liabilities in note no 14 from one of the shareholder and has utilized the fund in repayment of material amount of finance lease liability.

The management has revised its business strategy and marketing plan whereby it intends to increase its customer base and market share, and to revive business relationships with dormant customers which is expected to return in significant cash inflows. The management intends to re-position the company in the market. Furthermore, company intends to increase its share capital by Rs. 250.0 million as resolved in the EOGM held on 10-08-2007. This application was rejected by the SECP on the various grounds. The management is quite optimistic to get the prospective foreign investor in the changed political scenario and again shall apply to SECP for approval. However, till the authentication of these financial statements company is still looking for a foreign investor. The company also has complete and continued financial support from its sponsors. Therefore, these financial statements have been prepared on a going concern basis.







## **2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprises of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

### **2.1 Standards, interpretations and amendments to published approved accounting standards**

In the current year, the company has adopted all of the applicable revised IAS and Interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of IASB, effective for accounting period beginning on or after the dates mentioned below: The adoption of such IAS and Interpretations has no material impact on the financial statements of the current and prior years.

IAS 1 "Presentation of financial statements", issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners of the Comprehensive Income Statement. The revised standard will be effective from January 1, 2009. Adoption of this standard will only impact the presentation of the financial statements.

There are other accounting standards, new interpretations that are mandatory for accounting periods beginning on or after July 1, 2008 but are considered not to be relevant or have any significant effect to the company's operations and are therefore not detailed in these financial statements.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Basis of preparation**

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are stated at fair value.

The financial statements have been prepared following the accrual basis of accounting except for cash flow statement.

### **3.2 Use of critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the companies accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Deferred liability - staff gratuity
- b) Provision for taxation
- c) Accrued liabilities
- d) Impairments of, doubtful trade debts, capital work in progress



- e) Useful life of operating fixed assets, intangible assets.
- f) Valuation of assets held for sale
- g) Estimates of impairments and recoverable amounts of assets

### **3.3 Taxation**

#### **Current**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account available tax credits and tax rebates if any in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002.

#### **Deferred**

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base. This is recognized on the basis of the expected manner of the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

### **3.4 Loans and finances**

These are initially recognized at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognized at amortized cost using the effective interest method.

### **3.5 Borrowing cost**

Mark-up, interest and other charges on long term borrowings are capitalized up to the date of commissioning of the related fixed asset, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to profit and loss account.

### **3.6 Staff retirement benefits - staff gratuity**

The company operates an unfunded gratuity scheme for its permanent staff who have completed the qualifying period under the scheme. From the current year onward liability is being recognized in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at June 30, 2006 using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains and losses are recognized on the basis of actuarial recommendations.

### **3.7 Provisions**

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount.

### **3.8 Property, plant and equipment, and depreciation**

#### **Owned**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any except for capital work-in-progress is stated at cost.



Depreciation on fixed assets is charged to the profit and loss account applying the diminishing balance method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged in the year of addition while no depreciation is charged in the year of disposal.

Company accounts for impairment, where indication exists, by reducing its carrying value to the assessed recoverable amount. However, no such indication exists till the authorization of these financial statements.

Expenditure incurred subsequent to the initial acquisition of asset is capitalized only when it increases the future economic benefits embodied in the items of above assets. All other expenditure is recognized in the profit and loss account as and when incurred.

Gains and losses on disposal are included in income currently.

### **Leased**

Leases in terms of which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for own assets.

Financial charges on lease obligation is recognized in the profit and loss account over the lease term in a manner so as to provide a constant rate of charge on outstanding liability.

### **3.9 Intangible assets**

Expenditure incurred to acquire licenses and software is capitalized as intangible assets and stated at cost less accumulated amortization and impairment loss, if any. License costs are amortized on a straight line basis over the license period from the date of license whereas cost of software is amortized under the straight line method over a period of four years.

### **3.10 Inventories**

Inventories comprise digital receivers and ancillary equipment and are measured at lower of cost and net realizable value. Cost of inventory has been calculated using the first-in-first-out method of valuation.

Inventories in transit are stated at lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion, if any, and selling cost necessary to make a sale.

### **3.11 Trade debts and other receivables**

These are stated at cost less impairment losses, if any. Full provision is made against the impaired debts. Debts considered irrecoverable are written off.

### **3.12 Cash and cash equivalents**

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks.



### **3.13 Revenue recognition**

Installation income and sale of digital receivers and equipment is respectively recognized at the time of connection and installation of digital receivers and equipment.

Subscription income is recognized on the basis of activation of customer's account either by scratch card or direct subscription.

Advertisement income is recognized on the basis of spot run when the commercial is aired.

### **3.14 Foreign currency translation**

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains or losses are taken to profit and loss account currently.

### **3.15 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **3.16 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all financial assets and liabilities are measured at cost, which is the fair value of the consideration given or received. Thereafter, these are stated at their respective recoverable / settlement values. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to profit and loss account currently.

### **3.17 Impairment**

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the assets is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account currently.

### **3.18 Related party transactions**

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of Board of Directors, it is in the interest of company to do so.



#### 4. PROPERTY, PLANT AND EQUIPMENT

Class Of Assets	Leasehold improvements Owned	Transmitters and Equipments		Head end Equipments Held Under Finance Leases	Head end Equipments - Local		Furniture and Fixture Owned	Office Equipment Owned	Motor vehicle		Owned	Held under finance leases	Total
		Owned	Held Under Finance Leases		Owned	Held Under Finance Leases			Computer equipment Owned	Electric generators Owned			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>At July 1, 2008</b>													
Cost	8,542,369	122,607,529	106,312,699	18,965,452	5,180,912	2,000,000	10,491,560	4,023,694	5,734,411	3,547,660	3,901,327	7,493,000	298,800,613
Accumulated depreciation	3,047,427	54,540,462	48,556,595	10,263,860	2,214,677	903,788	5,417,825	1,704,912	4,013,674	2,612,019	2,027,351	4,604,387	139,906,976
Net book value	<b>5,494,942</b>	<b>68,067,067</b>	<b>57,756,104</b>	<b>8,701,592</b>	<b>2,966,235</b>	<b>1,096,212</b>	<b>5,073,735</b>	<b>2,318,782</b>	<b>1,720,737</b>	<b>935,641</b>	<b>1,873,976</b>	<b>2,888,613</b>	<b>158,893,637</b>
<b>Net carrying value basis</b>													
<b>Year ended Dec 31, 2008</b>													
Opening net book value (NBV)	5,494,942	68,067,067	57,756,104	8,701,592	2,966,235	1,096,212	5,073,735	2,318,782	1,720,737	935,641	1,873,976	2,888,613	158,893,637
Additions - cost	-	988,436	-	-	-	-	5,000	40,200	-	119,025	-	-	1,152,661
Transfers Lease to Own-NBV	-	44,174,427	(44,174,427)	(8,701,592)	9,797,804	(1,096,212)	-	-	-	-	415,578	(415,578)	-
Disposals at NBV	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	(549,494)	(16,984,490)	(2,037,252)	-	(1,914,606)	-	(761,810)	(353,847)	(516,221)	(158,200)	(343,433)	(370,955)	(23,990,308)
Impairment charge	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing net book value (NBV)	<b>4,945,448</b>	<b>96,245,441</b>	<b>11,544,425</b>	-	<b>10,849,433</b>	-	<b>4,316,925</b>	<b>2,005,135</b>	<b>1,204,516</b>	<b>896,466</b>	<b>1,946,121</b>	<b>2,102,080</b>	<b>136,055,990</b>
<b>At June 30, 2009</b>													
Cost	8,542,369	167,770,392	62,138,272	10,263,860	14,978,716	903,788	10,496,560	4,063,894	5,734,411	3,666,685	4,316,905	7,077,422	299,953,274
Accumulated depreciation	3,596,921	71,524,951	50,593,847	10,263,860	4,129,283	903,788	6,179,635	2,058,759	4,529,895	2,770,219	2,370,784	4,975,342	163,897,284
Net book value	<b>4,945,448</b>	<b>96,245,441</b>	<b>11,544,425</b>	-	<b>10,849,433</b>	-	<b>4,316,925</b>	<b>2,005,135</b>	<b>1,204,516</b>	<b>896,466</b>	<b>1,946,121</b>	<b>2,102,080</b>	<b>136,055,990</b>
<b>At July 1, 2007</b>													
Cost	8,542,369	122,076,370	106,312,699	18,965,452	5,089,412	2,000,000	10,446,760	3,772,267	5,131,798	3,547,660	3,865,327	7,493,000	297,243,114
Accumulated depreciation	2,436,878	42,528,626	38,364,342	8,728,285	1,691,223	710,338	4,522,461	1,295,715	3,304,115	2,446,906	1,696,650	4,094,632	111,820,170
Net book value	<b>6,105,491</b>	<b>79,547,744</b>	<b>67,948,357</b>	<b>10,237,167</b>	<b>3,398,189</b>	<b>1,289,663</b>	<b>5,924,299</b>	<b>2,476,552</b>	<b>1,827,683</b>	<b>1,100,754</b>	<b>2,168,677</b>	<b>3,398,368</b>	<b>185,422,944</b>
<b>Net carrying value basis</b>													
<b>Year ended June 30, 2008</b>													
Opening net book value (NBV)	6,105,491	79,547,744	67,948,357	10,237,167	3,398,189	1,289,663	5,924,299	2,476,552	1,827,683	1,100,754	2,168,677	3,398,368	185,422,944
Additions - cost	-	531,159	-	-	91,500	-	44,800	251,427	780,717	-	36,000	-	1,735,603
Transfers at NBV	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals at NBV	-	-	-	-	-	-	-	-	(130,674)	-	-	-	(130,674)
Depreciation charge	(610,549)	(12,011,835)	(10,192,254)	(1,535,575)	(523,453)	(193,449)	(895,365)	(409,197)	(756,989)	(165,113)	(330,702)	(509,755)	(28,134,236)
Impairment charge	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing net book value (NBV)	<b>5,494,942</b>	<b>68,067,067</b>	<b>57,756,104</b>	<b>8,701,592</b>	<b>2,966,235</b>	<b>1,096,213</b>	<b>5,073,734</b>	<b>2,318,782</b>	<b>1,720,737</b>	<b>935,641</b>	<b>1,873,976</b>	<b>2,888,613</b>	<b>158,893,637</b>
Depreciation rate %	<b>10</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>30</b>	<b>15</b>	<b>15</b>	<b>15</b>	

#### 4.1 Allocation of depreciation is as under:

	Basis of allocation	2009 Rupees	2008 Rupees
Cost of sales and services	92%	22,071,084	25,883,497
Administrative expenses	6%	1,439,418	1,688,054
Selling expenses	2%	479,806	562,685
		<b>23,990,308</b>	<b>28,134,236</b>



**Notes to the Accounts  
For the Year Ended June 30, 2009**

	2009 Rupees	2008 Rupees
5 CAPITAL WORK IN PROGRESS		
Booster/antenna/transmitters and equipment	<u>3,891,298</u>	<u>3,891,298</u>

5.1 Capital work in progress consists of imported booster/antenna named as "Andrew" imported in the year 2004-05 pending installation for the purpose of satellite coverage in the city of Shiekhupura and adjoining areas in the province of Punjab. Since then the balance has not been capitalized as yet.

**6 INTANGIBLE ASSETS**

License fees and computer software at amortized value	<b>6.1</b>	<u>26,402,106</u>	<u>31,302,641</u>
<b>6.1 Cost of licenses and software</b>	<b>6.1.1</b>	52,275,962	52,275,962
Additions during the year	—	—	—
		<u>52,275,962</u>	<u>52,275,962</u>
Amortization as at 1st July		(20,973,321)	(15,754,310)
Amortization during the year	<b>6.1.2</b>	(4,900,535)	(5,219,011)
		<u>(25,873,856)</u>	<u>(20,973,321)</u>
		<u>26,402,106</u>	<u>31,302,641</u>

**6.1.1 COST OF LICENSES AND SOFTWARE**

**License fees paid to:**

Pakistan Electronic Media Regulatory Authority (PEMRA)	Life			
Pakistan Electronic Media Regulatory Authority (PEMRA) for up linking	10 years	45,000,000	45,000,000	
Pakistan Telecommunication Authority (PTA)	15 years	5,000,000	5,000,000	
	15 years	1,000,000	1,000,000	
		<u>51,000,000</u>	<u>51,000,000</u>	

**Computer software purchased for:**

Shares department				
Integration module for Karachi, Lahore and Islamabad	4 years	40,000	40,000	
Accounting general ledger	4 years	839,962	839,962	
	4 years	396,000	396,000	
		<u>1,275,962</u>	<u>1,275,962</u>	
		<u>52,275,962</u>	<u>52,275,962</u>	

	Rate of amortization	Amortization expense for the year	Accumulated amortization as at June 30, 2009	Accumulated amortization as at July 1, 2008
	%	Rupees	Rupees	Rupees
<b>Licenses</b>				
PEMRA	10.00	4,500,000	22,875,000	18,375,000
PEMRA for up linking	6.667	333,350	1,388,967	1,055,617
PTA	6.667	66,670	333,927	267,257
		<u>4,900,020</u>	<u>24,597,894</u>	<u>19,697,874</u>
<b>Computer software</b>				
Shares department	25	515	40,000	40,000
Integration module for Karachi, Lahore and Islamabad	25	515	839,962	839,447
Accounting general ledger	25	515	396,000	396,000
		<u>515</u>	<u>1,275,962</u>	<u>1,275,447</u>
		<u>4,900,535</u>	<u>25,873,856</u>	<u>20,973,321</u>



		<b>2009 Rupees</b>	<b>2008 Rupees</b>
<b>7</b>	<b>LONG TERM DEPOSITS</b>		
	Lease key money	7.1 2,500,000	4,155,678
	Water and Power Development Authority (WAPDA)	34,200	34,200
	Pakistan Telecommunication Limited (PTCL)	12,700	12,700
	Central Depository Company Limited (CDC)	50,000	50,000
	Pakistan Electronic Media Regulatory Authority (PEMRA)	500,000	500,000
	Rented office premises	1,180,000	1,180,000
	Mobile phone	89,000	47,000
	Water companies	20,100	13,600
		<b>4,386,000</b>	<b>5,993,178</b>
<b>7.1</b>	Lease key money would be adjusted with outstanding lease liability at the time of final payment / maturity of lease contract(s).		
<b>8</b>	<b>STOCK-IN-TRADE</b>		
	Digital receivers and ancillary equipment - in hand	4,743,585	3,835,220
	Wires and connectors	107,993	184,276
		<b>4,851,578</b>	<b>4,019,496</b>
<b>9</b>	<b>TRADE DEBTS</b>		
	Unsecured - considered good	1,027,725	6,887,957
	- considered doubtful	17,110,190	17,110,190
		18,137,915	23,998,147
	Provision for doubtful debts	9.1 (17,110,190)	(17,110,190)
		<b>1,027,725</b>	<b>6,887,957</b>
<b>9.1</b>	<b>PROVISION FOR DOUBTFUL DEBTS</b>		
	Opening balance	17,110,190	17,110,190
	Charge for the year	-	-
	Closing balance	<b>17,110,190</b>	<b>17,110,190</b>
<b>10</b>	<b>LOANS AND ADVANCES considered good</b>		
	Advance to suppliers and others	3,231,907	4,383,829
	Advance rent	378,210	298,725
	Loan to staff - unsecured	417,943	331,742
	Advance against expenses	360,331	215,025
		<b>4,388,391</b>	<b>5,229,321</b>
<b>11</b>	<b>DEPOSITS, PREPAYMENTS AND OTHERS RECEIVABLE</b>		
	Lease key money	13.1 39,600	5,188,050
	Duty refundable	152,242	152,242
	Short term prepayments	-	-
		<b>191,842</b>	<b>5,340,292</b>



**2009  
Rupees**

**2008  
Rupees**

**13.1** Lease key money would be adjusted with outstanding lease liability at the time of final payment / maturity of lease contract(s).

**12 CASH AND BANK BALANCES**

Balances with banks in:

- Current accounts

- Profit and loss sharing accounts

764,744	660,386
344,261	311,366
1,109,005	971,752
40,703	50,737
<u>1,149,708</u>	<u>1,022,489</u>

Cash in hand

**13 TRADE AND OTHER PAYABLES**

Trade payables/creditors

Other payables and liabilities

11,136,614 11,930,077

Unearned subscription income

Third party tax liability

Accrued expenses

Rent payable

Audit fee payable

Advance from customers

Share money refundable

Other liabilities

4,921,580	5,611,600
74,251	592,452
3,611,955	2,202,480
5,141,492	4,462,782
250,000	225,000
1,135,841	1,396,275
-	135,000
97,808	145,990
15,232,927	14,771,579
<u>26,369,541</u>	<u>26,701,656</u>

**14 SHORT TERM BORROWINGS**

**- SECURED**

From a leasing company

4,627,155		
<b>14.1</b>	4,627,155	4,627,155
		4,627,155

**-UNSECURED**

From a related party - ex director

8,674,271		
<b>14.2</b>	4,000,000	8,674,271
<b>14.3</b>	12,674,271	4,000,000

From other - Din Shaw Hosing Anklesaria

<b>17,301,426</b>	12,674,271	17,301,426
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**14.1** This represents overdue borrowings from Saudi Pak Leasing Company Limited carries mark-up @ 10% per annum and is repayable on demand. The facility is secured against charge on digital receivers (set top boxes). The company has received a legal notice dated November 23, 2006 from lawyer of Saudi Pak Commercial Bank Limited, Blue Area Branch Islamabad for overdue payment of Rs.4,627,155 shown in short term borrowings, in which they have asked the company to pay the amount within fortnight from the date of letter, failing which legal proceedings would be initiated. However, the company has sent this letter to their legal advisor and foresee amicable resolution of the matter as it would settle the amount after its rescheduling.

**14.2** This represents mark-up free borrowings from a former director of the company payable on demand.

**14.3** This represents mark-up free borrowings from Din Shaw Hosing Anklesaria payable on demand.

**15 CONSUMER FINANCE PAYABLE**

Opening balance

Provided during the year

15.1	121,585,424	82,069,326
	-	39,516,098
	121,585,424	121,585,424

Less: Paid/adjusted during the year

	-	-
	<u>121,585,424</u>	<u>121,585,424</u>





**2009  
Rupees**

**2008  
Rupees**

**15.1** Consumer finance payable represents recovery made from active consumer finance customers who have obtained set top boxes (STBs) on credit arrangement provided by three banking companies namely Askari bank Limited, Royal Bank of Scotland and Faysal Bank Limited. For this credit arrangement, the company has given a corporate guarantee against which full provision has been made in these accounts. It is further stated that all the above bank had filed suit against the company for the recovery of their amount.

**16 LONG TERM FINANCING - Secured**

From a shareholder-related party-unsecured

**16.1** 27,000,000 -

From financial institution

Orix Investment Bank Pakistan Limited

**16.2**

1,357,102	1,357,102
1,357,102	1,357,102

Less: Current and overdue portion shown under current liabilities

-	-
<b>27,000,000</b>	<b>-</b>

**16.1** This represents loan from a shareholder carrying mark-up @ 6 monthly KIBOR + 1% payable on demand.

**16.2** This represents Term Finance Facility of Rs.10 million obtained from Orix Investment Bank Pakistan Limited. The finance facility was repayable upto June 30, 2007 and carries mark-up rate equal to 6 months KIBOR + 2% with floor of 8% per annum with no cap. The finance is secured against hypothecation of specific fixed assets of the company and demand promissory notes. The finance is repayable in quarterly installments of Rs. 0.946 million (principal plus mark-up). However till the authentication of these financial statements no repayment has been made.

**17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Opening balance

55,860,813	57,521,941
------------	------------

Leased assets acquired during the year

-	-
---	---

55,860,813	57,521,941
------------	------------

Repayments made during the year

**17.1** 42,708,545 1,661,128

**17.2** 13,152,265 55,860,813

Current maturity

**17.3** 13,152,265 47,436,904

**Minimum lease payments**

-	8,423,909
---	-----------

Not later than one year

17,991,980	51,811,134
------------	------------

Later than one year and not later than 5 years

-	8,561,469
---	-----------

17,991,980	60,372,603
------------	------------

Future financial charges

(4,839,715)	(4,511,790)
-------------	-------------

Present values of finance lease liabilities

13,152,265	55,860,813
------------	------------

**17.2** These represents lease liability from banks and other financial institutions amounting to Rs. 13.152 million (2008: Rs.55.860 million). Under the terms of agreements, the company has the option to acquire the assets at the end of the lease term by adjusting the deposit amount of Rs.2.54 million (2008: Rs. 9.3444 million) against the final installment.

**17.1** The repayment includes settlement of outstanding lease liability of certain leasing companies which have resulted in a gain as disclosed in note of Other Operating Income to these financial statements. The working of settlement and resultant gain is as follows:

Lease liability

42,315,063	-
------------	---

Mark up due

3,234,612	-
-----------	---

Total

45,549,675	-
------------	---

Adjustment of security deposits

6,804,128	-
-----------	---

Net payable

38,745,547	-
------------	---

Payments made

27,000,000	-
------------	---

Net gain on settlement

**24** 11,745,547 -

**17.3** The amount payable within one year includes the overdue lease rentals of Rs.13.152 Million (2008:47.436 Million)



**2009  
Rupees**

**2008  
Rupees**

**18 DEFERRED LIABILITY**

The company operates a unfunded gratuity scheme for its permanent staff who have completed the qualifying period under the scheme. The most recent valuation in this regard was carried out as at June 30, 2006 on April 4, 2007 by Alchemy Associates (Private) Limited - independent actuaries, using the projected unit credit method for valuation of the scheme. Till the authentication of these financial statements, revised actuarial valuation has not been carried out which has become due. The following movement of gratuity provision is on actual basis.

**18.1 Movement of net deferred liability position**

Opening balance	2,964,262	2,960,484
Provided during the year	483,084	690,214
	3,447,346	3,650,698
Payments/adjustments during the year	1,578,286	686,436
	<u>1,869,060</u>	<u>2,964,262</u>

**19 CONTINGENCIES AND COMMITMENTS**

**19.1** The company has facilitated consumer financing with certain banks for its subscribers against which an irrevocable corporate guarantee has been issued by the company. The guarantee has been fully provided in these financial statements. Liquidated damages @ 2% per month, interest, penal charges and late payment charges have not been accounted for in these financial statements.

Since entire consumer finance liability has been provided in these financial statements, therefore, after the repayment of entire liability, the right to repossess the set top boxes from customer(s) rest with the company.

**19.2** One of the lenders of the company has filed a petition under section 305/321 of the Companies Ordinance 1984 in the High Court of Sindh to wind up the company on account of inability to pay debts. On this petition the High Court of Sindh has passed an order dated September 16, 2008 to wind up the company on account of the reason mentioned in the petition and has appointed an official liquidator to take charge of the assets and properties, accounts and management of the company with full powers under the Companies Ordinance 1984. Keeping in view the said proceedings the others lenders of the company have also summoned the company to initiate legal proceedings against the company.

Accordingly, Karachi Stock Exchange has suspended the trading in the shares of the company with effect from Tuesday January 13, 2009 for a period of 60 days on the fact and circumstances stated above and on the basis of committing default under listing regulations no.32(1)(d) of the Exchange i.e. "it has gone into liquidation through the order passed by the High Court of Sindh". Till the authentication of these financial statements, suspension of trading in the shares of the company has not been removed.

However, the company has obtained a stay order from High Court of Sindh to stay the winding up proceedings to the extent that the officials assignee shall not take over the management of the company till the next date of the hearing, and the management of the company has proposed the lenders with a settlement proposal to settle the outstanding liability of each lender on 2/3rd basis or mutually agreed basis as full and final settlement, to which many lenders have opted for the settlement and their accounts have been fully settled.



20		ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	Note	2009 Rupees	2008 Rupees
2009	2008	(Number of shares)			
<u>49,977,500</u>	<u>49,975,500</u>	Ordinary shares of Rs. 10/- each issued for cash		<u>499,775,000</u>	<u>499,755,000</u>
<b>20.1 Reconciliation of issued, subscribed and paid up shares</b>					
Number of the shares at beginning of the year				49,975,500	49,975,500
Issued during the year				2,000	-
Number of the shares at end of the year				<u>49,977,500</u>	<u>49,975,500</u>
<b>21</b>		<b>CAPITAL RESERVE - SHARE PREMIUM</b>		<u>86,438,628</u>	<u>86,438,628</u>
Share premium reserve was created by issuance of 1,000,000 shares at premium against the settlement of a foreign currency loan under the decree of Sindh High Court.					
<b>22</b>		<b>REVENUE</b>			
Gross revenue					
Sale of Set Top Boxes - net of sales returns				2,765,060	9,255,360
Sale of accessories				4,816,867	2,712,149
Subscription income				50,893,554	43,057,337
Installation income				320,585	358,552
<b>Total gross revenue</b>				58,796,066	55,383,398
<b>Less:</b>					
Sales tax				-	-
Discount allowed				-	15,994
				-	15,994
				<u>58,796,066</u>	<u>55,367,404</u>
<b>23</b>		<b>COST OF SALES AND SERVICES</b>			
Cost of equipment					
				3,622,398	9,396,603
Content cost (channel cost)				10,540,585	10,569,085
Amortization of intangible asset				4,900,535	5,219,011
Salaries, wages and benefits				5,757,472	5,540,661
Utilities				5,450,579	4,992,325
License fees				9,138,212	11,403,565
Repair and maintenance				482,037	618,799
Rent				1,583,790	750,000
Communications				705,681	692,319
Insurance				187,412	175,782
Traveling				54,875	175,758
Vehicle running expenses				885,243	854,713
Printing and stationery				44,054	66,425
Miscellaneous Expenses				5,600	5,033
				<u>43,358,473</u>	<u>50,460,079</u>
<b>23.1</b>		<b>COST OF EQUIPMENT</b>			
Opening stock				4,019,496	5,914,169
Purchase and other cost				4,454,480	7,501,930
Closing stock				(4,851,578)	(4,019,496)
				<u>3,622,398</u>	<u>9,396,603</u>



		<b>2009 Rupees</b>	<b>2008 Rupees</b>
<b>23.2</b>	This includes the charge for defined benefit unfunded gratuity scheme of Rs. 215,523/- (2008: Rs. 285,472/-).		
<b>24</b>	<b>OTHER OPERATING INCOME</b>		
	<b>Income from financial assets</b>		
	Profit on profit and loss sharing bank balances	11,272	10,571
		11,272	10,571
	<b>Income from non-financial assets</b>		
	Gain / (loss) on disposal fixed assets	-	(45,674)
	Rental income	1,728,775	1,413,906
	Advertisement income	52,163	452,778
		1,780,938	1,821,010
	<b>Others</b>		
	Gain / (loss) on final settlement of lease liability	11,745,547	-
		<b>13,537,757</b>	<b>1,831,581</b>
<b>25</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries, wages and benefits	4,263,638	4,264,729
	Utilities	439,030	436,387
	Communications costs	251,255	266,300
	Vehicle running expenses	395,434	404,733
	Amortization of deferred cost	-	3,224,216
	Depreciation	1,439,418	1,688,054
	Insurance	150,685	216,386
	Printing and stationary	228,659	245,216
	Traveling and conveyance	45,200	138,491
	Office expense	188,990	317,185
	Repairs and maintenance	89,087	162,460
	Fees and subscription	73,500	116,600
	Legal and professional charges	399,970	193,120
	Rent	1,267,875	701,375
	Newspapers and periodicals	4,455	4,740
	Postage and courier charges	61,299	104,550
	Security services	154,000	182,000
	Auditors' remuneration	275,000	300,000
		<b>9,727,495</b>	<b>12,966,542</b>
<b>25.1</b>	<b>Auditor's remuneration</b>		
	Audit fee	175,000	175,000
	Review of half yearly financial statements	50,000	50,000
	Report on code of corporate governance	25,000	25,000
	Out of pocket expenses	25,000	50,000
		<b>275,000</b>	<b>300,000</b>
<b>25.2</b>	This includes the charge for defined benefit unfunded gratuity scheme of Rs. 67,069/- (2008: Rs. 96148/-).		



		<b>2009 Rupees</b>	<b>2008 Rupees</b>
<b>26</b>	<b>SELLING EXPENSES</b>		
	Commission on sales	1,896,714	2,529,187
	Salaries, wages and benefits	7,660,887	9,125,973
	Sales promotion	418,930	272,848
	Office rent	1,859,920	1,523,600
	Utilities	1,238,625	1,248,715
	Communications costs	1,421,556	1,179,594
	Printing and stationary	226,472	268,364
	Vehicle running	930,086	818,030
	Depreciation	479,806	562,685
	Traveling and conveyance	41,800	78,202
	Office expense	137,761	215,984
	Repair and maintenance	58,730	161,458
	Insurance	10,160	10,881
		<b><u>16,381,447</u></b>	<b><u>17,995,521</u></b>

**26.1** This includes the charge for defined benefit unfunded gratuity scheme of Rs. 200,492/- (2008: Rs. 308,594/-).

## **27 FINANCIAL CHARGES**

From non related parties			
Mark-up on liabilities against assets subject to finance lease		158,531	1,191,996
Mark-up on short term borrowings		-	(33)
Consumer finance payable		-	29,197,580
Bank charges and commission		83,801	146,807
		242,332	30,536,350
From related parties			
Mark-up on loan from shareholder		101,530	-
		101,530	-
		<b><u>343,862</u></b>	<b><u>30,536,350</u></b>

## **28 TAXATION**

Relationship between tax expense and accounting profit/(loss)			
Accounting profit/(loss) for the year		<b><u>(24,061,594)</u></b>	<b><u>(80,643,004)</u></b>
Tax @ 35% (2008: 35%)		(8,421,558)	(28,225,051)
Temporary differences on which deferred tax asset			
has not been recognized		8,421,558	28,225,051
Minimum tax due under section 113 of the			
Income Tax Ordinance, 2001		-	(286,022)
		<b><u>-</u></b>	<b><u>(286,022)</u></b>

### **28.1 Deferred tax**

At 30 June 2009, deductible temporary differences amounted to Rs. 145.801 million approximately (2008: 154.047 million), against which deferred tax asset has not been recognized due to uncertainty about its eventual.



**2009  
Rupees**

**2008  
Rupees**

**28.2 Current status of tax assessments**

Assessments of the company have been finalized up to and including tax year 2008.

**29 EARNINGS PER SHARE - basic**

Profit/(loss) attributable to the ordinary shareholders-Rupees	<u>(24,061,594)</u>	<u>(80,929,026)</u>
Weighted average number of ordinary shar	<u>49,977,500</u>	<u>49,975,500</u>
Earning per share-Rupees	<u><b>(0.48)</b></u>	<u><b>(1.62)</b></u>

There is no dilutive effect on the basic loss per share.

**30 REMUNERATION TO THE CHIEF EXECUTIVE,**

DIRECTORS AND EXECUTIVES

**Executives**

Managerial remuneration	2,313,300	2,480,000
Utilities	136,000	112,000
Gratuity paid/provision for gratuity	526,849	368,068
	<u>2,976,149</u>	<u>2,960,068</u>
Number of persons	<u><b>4</b></u>	<u><b>3</b></u>

**30.1** No fees was paid to any of the directors for attending the Board / Audit Committee meetings.

**30.2** Certain executives are allowed free use of company maintained vehicles.

**31 TRANSACTIONS WITH RELATED PARTIES**

**Short term borrowings from**

- ex director	8,674,271	8,674,271
- a shareholder	27,000,000	-
- Din Shaw Hoshing Anklesaria	4,000,000	4,000,000
<b>Interest payable on short term borrowing</b>	101,530	-
Interest expense charged on short term borrowing	101,530	-
Staff gratuity payable	1,869,060	2,964,262
Staff gratuity charged	483,084	690,214
Staff gratuity paid	1,578,286	686,436

There were no transactions with related parties other than those already disclosed elsewhere in these financial statements.

**32 STAFF STRENGTH**

The average number of employees as at year end were 124 (2008: 120).

**33 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on October 5, 2009 by the board of directors of the company.



### 34 GENERAL AND LEVEL OF PRECISION

2009  
Rupees

2008  
Rupees

The reporting currency of the company is Pak Rupees.

The figures have been rounded off to the nearest rupees.

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison. Significant reclassifications are as follows:

Reclassification from Note	Component	Reclassification to Note	Component	Reason for reclassification	Rupees
23	Freight, carriage and cartage	23	Cost of equipment	Freight, carriage and cartage is part of purchase cost of equipment, therefore, added.	269,556

### 35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 35.1 Capital risk Management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2009 the company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2009 and 2008 were as follows:

Total borrowings	180,396,217	196,104,765
Cash and bank	(1,149,708)	(1,022,489)
Net debt / (cash)	179,246,509	195,082,276
Total equity	(25,237,213)	(5,708,675)
Total capital	<b>154,009,296</b>	<b>189,373,601</b>
Gearing ratio	<b>116%</b>	<b>103%</b>

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix of such instruments.

Taken as a whole, company is materially exposed to capital risk.

#### 35.2 Profit / mark-up bearing financial instruments

Information about the company's exposure to profit / mark-up rate risk based on contractual repricing and maturity dates, which ever is earlier, is as follows:



	Profit / mark-up bearing			Non-profit / mark - up bearing	Total
	Maturity up to one year Rupees	Maturity after one year Rupees	Sub-total Rupees		
Financial assets					
Long-term deposits	-	-	-	4,386,000	4,386,000
Trade debts	-	-	-	3,229,437	3,229,437
Loans and advances	-	-	-	4,388,391	4,388,391
Deposits and others receivable	-	-	-	191,842	191,842
Cash and bank balances	344,261	-	344,261	805,447	1,149,708
	<u>344,261</u>	<u>-</u>	<u>344,261</u>	<u>13,001,117</u>	<u>13,345,378</u>
Financial liabilities					
Long-term loan	1,357,102	27,000,000	28,357,102	-	28,357,102
Short term loans	31,627,155	-	31,627,155	12,674,271	44,301,426
Trade and other payables	-	-	-	26,369,541	28,571,253
Corporate finance guarantee	-	-	-	121,585,424	121,585,424
Accrued mark up	749,622	-	749,622	-	749,622
	<u>33,733,879</u>	<u>27,000,000</u>	<u>60,733,879</u>	<u>160,629,236</u>	<u>221,363,115</u>
<b>Sensitivity gap - 2009</b>	<b>(33,389,618)</b>	<b>(27,000,000)</b>	<b>(60,389,618)</b>	<b>(149,829,831)</b>	<b>(210,219,449)</b>

	Profit / mark-up bearing			Non-profit / mark - up bearing	Total
	Maturity up to one year Rupees	Maturity after one year Rupees	Sub-total Rupees		
<b>Financial assets</b>					
Long term deposits	-	-	-	5,993,178	5,993,178
Trade debts	-	-	6,887,957	6,887,957	
Loan and advances	-	-	5,229,321	5,229,321	
Trade deposits	-	-	-	5,340,292	5,340,292
Cash and bank balances		311,366	311,366	711,123	1,022,489
		<u>311,366</u>	<u>311,366</u>	<u>24,161,871</u>	<u>24,473,237</u>
<b>Financial liabilities</b>					
Long term loans		1,357,102	1,357,102	-	1,357,102
Short term loans		4,627,155	4,627,155	12,674,271	17,301,426
Trade and others payable		-	-	26,701,656	26,701,656
Corporate finance guarantee		-	-	121,585,424	121,585,424
Accrued mark up		3,757,175	3,757,175	-	3,757,175
		<u>9,741,432</u>	<u>9,741,432</u>	<u>160,961,351</u>	<u>170,702,783</u>
<b>Sensitivity gap - 2008</b>		<b>(9,430,066)</b>	<b>(9,430,066)</b>	<b>(136,799,480)</b>	<b>(146,229,546)</b>





- (a) the effective rate of profit / mark-up are disclosed in the respective notes.  
(b) On-balance sheet gap represents the net amount of on-balance sheet items.

### 35.3 Interest rate sensitivity analysis

The company's exposure to interest rate risk exposure as at June 30, 2009 is as follows:

	Up to one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years	After five years	Total
<b>Financial assets</b>							
Cash and bank balances	344,261	-	-	-	-	-	344,261
	<b>344,261</b>	-	-	-	-	-	<b>344,261</b>
<b>Financial liabilities</b>							
Long-term loan	1,357,102	-	-	-	-	-	1,357,102
Short term loans	31,627,155	-	-	-	-	-	31,627,155
	<b>32,984,257</b>	-	-	-	-	-	<b>32,984,257</b>

### 35.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All financial assets of the company, except cash in hand, are exposed to credit risk. The company attempts to control the credit exposure by monitoring the exposure. However, due to change in technology of television channels distribution to Multi-Channel Multi-point Distribution System (MMDS), the credit risk exposure has virtually become zero, as the said technology is using prepaid scratch cards.

### 35.4 Foreign currency risk

Foreign currency risk arises mainly where payables exist due to the transactions with foreign entities. However, company is not exposed to foreign currency risks.

### 35.4 Fair value of financial instruments

The carrying values of all financial instruments reflected in the financial statements approximate their fair values.

**Chief Executive**

**Director**



## Pattern of Shareholding as at June 30, 2009

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held	Percentage%
28	1	100	939	0.00
714	101	500	356,403	0.71
285	501	1,000	284,063	0.57
457	1,001	5,000	1,398,012	2.80
118	5,001	10,000	999,666	2.00
38	10,001	15,000	508,500	1.02
40	15,001	20,000	748,500	1.50
18	20,001	25,000	423,000	0.85
12	25,001	30,000	341,000	0.68
4	30,001	35,000	136,000	0.27
4	35,001	40,000	160,000	0.32
8	40,001	45,000	343,000	0.69
17	45,001	50,000	839,000	1.68
1	50,001	55,000	54,000	0.11
4	55,001	60,000	230,000	0.46
1	60,001	65,000	62,000	0.12
4	65,001	70,000	279,000	0.56
1	75,001	80,000	80,000	0.16
1	80,001	85,000	85,000	0.17
2	85,001	90,000	180,000	0.36
1	90,001	95,000	95,000	0.19
5	95,001	100,000	496,000	0.99
1	125,001	130,000	130,000	0.26
1	135,001	140,000	138,000	0.28
1	165,001	170,000	170,000	0.34
1	175,001	180,000	180,000	0.36
1	185,001	190,000	188,500	0.38
1	205,001	210,000	209,500	0.42
1	240,001	245,000	241,500	0.48
1	300,001	305,000	301,260	0.60
1	310,001	315,000	310,323	0.62
1	340,001	345,000	341,500	0.68
1	345,001	350,000	350,000	0.70
1	495,001	500,000	500,000	1.00
1	565,001	570,000	566,600	1.13
1	595,001	600,000	600,000	1.20
1	675,001	680,000	675,500	1.35
1	695,001	700,000	700,000	1.40
1	820,001	825,000	822,000	1.64
1	1,105,001	1,110,000	1,107,500	2.22
1	1,425,000	1,430,000	1,429,500	2.86
1	4,995,001	5,000,000	5,000,000	10.00
1	5,445,001	5,450,000	5,448,334	10.90
1	6,070,000	6,075,000	6,073,500	12.15
1	16,390,001	16,395,000	16,394,900	32.80
<b>1,786</b>			<b>49,977,500</b>	<b>100.00</b>



## Categories of Shareholding As at June 30 2009

Particular	No. of Shareholders	Shares Held	Percentage %
Directors/Sponsors			
Mr. Nisar Ahmed		5,000	
Mr. Muhammad Younus		500	
Mr. Aqil Qureshi		500	
	2	<u>6,000</u>	0.012
Associated companies, undertakings and related parties			
Mr. Ubaid Jatoi		180,000	0.360
National Investment Trust	1	611,583	1.224
National Bank of Pakistan Trustee Department			
Shareholders holding 10% and above			
Mr. Ali Mahmood		21,394,900	
Aqeel Karim Dhedhi Securities (Pvt) Ltd. (Joint Stock Company)		6,048,334	
Javed Omer Vohra & Co. (Joint Stock Company)		6,073,500	
	3	<u>33,516,734</u>	67.064
Others (to be specified)			
Joint Stock Companies and Private Limited Companies			
Ace Securities (Private) Limited		341,500	
Hum Securities Limited		138,000	
Darson Securities (Private) Limited		69,000	
Muhammad Ahmad Nadeem Securities (SMC-Private) Limited		45,500	
Progressive Securities (Private) Limited		35,000	
M.R. Securities (SMC-Private) Limited		30,000	
Plus Securities		25,000	
Moneyline Securities (Private) Limited		20,000	
Darson Securities (Private) Limited		15,500	
Ismail Iqbal Securities (Private) Limited		15,500	
Ali Husain Rajab Ali Limited		12,500	
Live Securities (Private) Limited		8,500	
Y.S. Securities and Service (Private) Limited		12,500	
Pace Investment and Securities (Private) Limited		10,000	
Cliktrade Limited		9,500	
Prime Securities (Private) Limited		7,000	
Zahid Latif Khan Securities (Private) Limited		6,500	
Mars Securities Limited		6,000	
General Investment & Securities (Private) Limited		6,000	
KAI Securities (Private) Limited		5,000	
Bagasra Securities (Private) Limited		5,000	
Y.S. Securities & Services (Private) Limited		2,000	
AKD Securities Limited- AKD Trade		2,000	
Y.S. Securities & Services (Private) Limited		1,000	
Fair Deal Securities (Private) Limited		1,000	
Rahat Securities Limited		500	
Friendly Securities (Private) Limited		500	
Oriental Securities (Private) Limited		500	
Value Stock Securities (Private) Limited		500	
	29	<u>831,500</u>	1.664
Mutual Fund			
Asian Stock Fund Limited	1	50,000	0.100
General Public- Local	1,748	14,781,683	29.577
Total number of shareholders and paid up Capital	<u>1,784</u>	<u>49,977,500</u>	<u>100</u>

1328 Shareholders hold 44,495,000 shares in the name of Central Depository Company of Pakistan Limited.



## Key Operation and Financial Data

	2009	2008	2007	2006	2005	2004
Revenues	58,796,066	55,367,404	49,804,456	95,584,519	223,768,315	44,657,784
Operating Expenses	43,358,473	50,460,079	49,787,585	89,828,903	182,349,506	48,660,608
Gross Profit/(Loss)	15,437,593	4,907,325	16,871	5,755,616	41,418,809	(4,002,824)
Selling & Administrative Expenses	26,108,942	30,962,063	83,846,345	80,165,255	93,343,747	44,092,245
Financial Expenses	343,862	30,536,350	60,655,349	13,867,554	17,265,404	4,618,159
Operating loss before taxation	(19,548,538)	(80,643,004)	(167,225,074)	112,648,262	101,039,451	54,794,043
Loss after taxation	(19,548,538)	(80,929,026)	(167,511,167)	113,148,853	102,158,293	55,017,332
Shares holder's equity	(25,237,213)	(5,708,675)	75,220,351	242,731,517	355,880,371	458,038,663
Long term assets	170,735,394	200,080,754	234,899,788	276,071,794	358,766,408	486,112,286
Long term liabilities	28,869,060	11,388,171	18,182,832	24,810,486	92,612,761	75,940,455
Current assets	13,411,834	23,738,429	36,691,382	103,694,782	229,587,498	120,578,387
Current liabilities	180,515,380	218,139,687	178,187,987	112,224,572	139,860,774	72,711,555



# Form of Proxy

The Company Secretary  
**Southern Networks Limited**  
5-Y, Block 6, P.E.C.H.S., Karachi  
Tel: 021-4301033-37, 4315641-3, 4548412-3  
Fax: 021-4386948

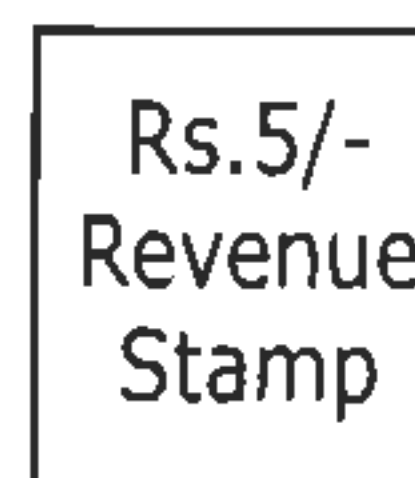
I/We \_\_\_\_\_  
of \_\_\_\_\_ (full address)  
being a member of Southern Networks Limited hereby appoint  
of \_\_\_\_\_ (full address)  
or failing him  
of \_\_\_\_\_ (full address)

another member of the Company to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on October 27, 2009 at 12:30 p.m and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

### Witness No.1

Name .....  
Address .....  
.....  
CNIC No. ....



.....  
Signature of Member(s)

### Witness No.2

Name .....  
Address .....  
.....  
CNIC No. ....

.....  
(Name in Block letters)

Folio No .....  
Participant ID No .....  
Account No. in CDS .....

### Important:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
2. Members are requested:
  - (a) to affix Revenue Stamp of Rs. 5/- at the place indicated above.
  - (b) to sign across the Revenue Stamp in the same style of signature as is registered with the Company.
  - (c) to write down their Folio Numbers/Participant ID Numbers/Account Numbers In CDS(as applicable) at the place indicated above.
3. The instrument appointing a proxy, together with the Board of Directors' resolution / Power of Attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time for holding the meeting.
4. CDC Account Holders are requested to strictly follow the guidelines mentioned in Circular No.1 dated January 26, 2000 of SECP.
5. CDC Account Holders or their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport to this proxy form when submitting the same to the Company.
6. CDC Account Holders or their proxies are requested to bring with them copies of their National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in Order to facilitate their identification.