

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 June 30, 2008.

GENERAL OVERVIEW ELECTRONIC MEDIA INDUSTRY

Electronic media industry continue to grow at fast pace and new competitors, including offshoots of some large print media, are aggressively working towards positioning and gaining market share. Substantial investment in equipment, technology and live coverage by news channels have been seen in the last year. Fast media growth resulted in increase in advertising pie; however, revenues per channel in news category decreased due to excessive competition in this sector.

During the year, more than 15 new channels were launched, mostly in the news and regional category, resulting in total of 55 channels. Overall this high growth has been very beneficial for the progress and development of the sector; however, excessive competition has made hunt and retention of talent difficult. As a result HR cost of the sector has gone up tremendously.

TELEMETERS

The year 2007-08 saw the establishment of Media Logic Target Audience Measurement Services. The system was approved by a Joint Industry Committee (JIC) comprising of Pakistan Broadcasters' Association (PBA), Pakistan Advertisers Society (PAS) and media agencies. The data provided by Media Logic is now widely acceptable in media and advertising industry, and media planners are seriously considering this data for their campaigns and advertising planning. As the success of a channel is determined with its viewer ship ratings, this data is very critical in order to gauge the overall performance of the channel and are normally determined in terms of popularity of the channel in different age groups, gender, time band and in urban and rural population. This data is then analyzed and used by advertisers and advertising agencies in order to determine their target markets for their products.

DIRECTORS' REPORT

Currently the sample size of the telemeters is limited to Karachi, Lahore and Islamabad. Talks by PBA with Media Logic are underway to increase the number of cities. We see telemeters as a major development in the industry.

YEAR IN FOCUS (INDUSTRY)

A lot of activities were seen in the last year on the media front, as discussed earlier a lot of new groups entered into the arena, a lot of investments were made, and lot of turnover of employees.

With all the action and political turmoil in place, came the day of November 4, 2007 when the Government imposed a state of emergency in the country and consequently transmission of all satellite channels was blocked. Broadcasters suffered losses in millions. While entertainment channels were allowed transmission within two days the News channels were not allowed transmission unless a "code of Ethics" developed by PEMRA was signed by them.

Although the state of emergency was lifted on December 15, 2007. The assassination of Mohtarma Benazir Bhutto gave another blow to the already uncertain situation prevailing in the country.

Due to the uncertain conditions, revenues of Broadcasters were greatly affected as major FMCG/ MNCs restricted their budgetary allocations and advertising activities.

With the new government now in place we have not yet seen any restriction on the freedom of media as yet and hope that it will remain so.

THE NETWORK (ETNL)



During the year, due to the expansion of operations, Eye Television Network Ltd. started full fledge programming from its Lahore office and a weekly programming feed from its Islamabad office in addition to regular programming at Karachi. Apart from easing programming pressure on Head office Karachi, this has created a good balance and adding flavors on screens of both our existing channels. Lahore office will also significantly contribute in programming content for our upcoming life style channel.

DIRECTORS' REPORT

Due to the mushroom growth of channels, Human resources have proved to be the biggest challenge faced during the year. The competition for quality human resource and expansion of operations this year, resulted in sharp increase in our payroll costs increasing almost 50% as compared to last year. The head count of the network increased from 289 to 382 in the year ended June 30, 2008 as compared to last year (200 to 289 in the year June, 2007). This pressure is expected to last in the near future.

During the year two of our valued senior team members Ms. Sultana Siddiqui and Mrs. Noor-ul-Huda Shah were entrusted with the highest civil award "Pride of Performance", for art & culture, by the President of Pakistan. With the addition of these two "Pride of Performances", your network is the only one having a total of Five "Pride of Performance" holders amongst its team of Professionals.




HUM TV

HUM TV the first channel launched under the banner of your company continue to grow both in terms of viewership ratings and revenues. As discussed earlier, the implementation of telemeters Pakistan last year has changed a lot in terms of perspective and media planning. Telemeter data is the currency of today when it comes to planning any advertising by the advertising agencies and media buying houses. In terms of viewership, HUM TV is the top rated channel in entertainment segment and is extremely valued by viewers and advertisers alike. Programming content of any channel is always the main reason for its viewership ratings. Quality content combined with effective distribution and aggressive marketing has contributed to the overall success of HUM TV.

During the year under review HUM TV produced some major block busters and gained further ground on the drama segment. Due to the dearth of quality dramas in the past, that were once considered to be the forte of Pakistan's entertainment, a lot of hope was lost in the industry and channels from neighboring India gained much popularity in Pakistan due to their extravagant sets and juicy soaps.





However, with the quality of our dramas, we have not only managed to increase our viewership but have also managed to bring back most of our viewers lost to Indian channels. In 2007-2008, HUM TV apart from being the no. 1 channel amongst the Pakistani General Entertainment Channels (GEC) also managed to beat the ratings of one of the most popular Indian channel "Star Plus" in some segments. Some major block busters of this year were Man-o-Salwa, Najia, Jhumka Jaan, Maney Na Yeh Dil, Piyasi, Khamoshian, Mere Pass Pass (The Sequel) etc.

In order to promote entertainment industry in Pakistan, Hum TV is constantly working with various production houses in Pakistan by providing them a platform for their creative productions.

In another step towards encouraging young talent and developing new production houses, in 2008, Hum TV organized a HUM Tele Film Festival, in which everyone was encouraged to participate with one of their best telefilms. The basic purpose was to encourage productions and providing exhibition platform to telefilms of different genres that feature a galaxy of young and talented stars. This festival was a great success as it received 54 entries; however, based on the Jury consisting of renowned media personalities, 13 telefilms were selected for airing and after further voting by the jury and viewers 3 telefilms would be selected as winning entries.

During the year, Hum TV also invested heavily on marketing of its products. In 2007-2008 launching of its block busters were done through colorful and entertaining events that were attended and appreciated by prominent media and advertising personalities of Pakistan. Apart from these launching ceremonies, marketing through hoardings in different cities and door to door activities were regularly undertaken by the channel in order to gain popularity, market penetration and increased viewership.

The investments made in production content promotions and marketing have produced excellent results for the channel. However, we believe that a lot has to be done in these areas continuously in order to maintain an edge in the market as well as to further strengthen our viewership base and increase ratings.

HUMSAY is another part of the overall promotion plan of HUM TV as well as other channels already launched or being launched by your company. HUMSAY is the first bimonthly English media magazine in Pakistan which covers the overall media scene in Pakistan. This has become a popular magazine, specially amongst the media and advertising industry.



DIRECTORS' REPORT



MASALA TV

The only 24 hours food channel from Asia has been another success story of your company. Breaking all concerns of a lot of media persons, Masala has proved to be highly famous amongst the housewives of Pakistan and its popularity graphs are on the rise continuously. This is also translated through various surveys conducted by the company in the early part of the year and further strengthened after telemeter ratings started covering this channel. Although being only 21 month old, Masala boasts no. 4 rating amongst GEC category with HUM TV being No.1.

A lot of marketing activities including brand building activities were under taken for Masala during the year which included the exclusive sponsorship of Food Court of "Dawn Life Style" event in the three major cities of Pakistan which proved to be a major success and enormous turnover was experienced.

Masala and its star chefs "Zakir" and "Shai" are now household names and during the year major food and FMCG Brands started advertising on Masala including "Dalda" "Knorr", "Telenor" etc., who were the major brand partners.

Being a new category in channels, the market has yet to fully acknowledge the true potential of Masala. However, after realizing the potential of Masala, some other networks are now planning to launch their food channels. This would certainly create competition and in turn would create a separate budget allocation for category which would be beneficial for channels catering to food genre. On the other hand this would again cause unnecessary pressure on the cost of the channels mainly on account of payroll as well as on production costs.





Style 360

STYLE 360

In order to further strengthen the channel base of your company and considering the overall philosophy of creating a niche in different fields and areas of entertainment, last year Eye Television Network Ltd. acquired the trade mark and the entire archival library of Style Duniya Network (SDN) a cable channel that was in operation since 2003.

After much research and deciding to launch an international satellite fashion & style channel, the management decided to name the new channel as "Style 360"

Style 360 is a life style and entertainment channel that aims to fill the gap in quality programming in Pakistan with varied local programming and exciting international content. Style 360 encompasses all aspects of stylish living and promises to deliver its viewers entertainment with an edge. With Vaneeza Ahmed, Nomi Qamar and Omar Qamar as senior team members of the channel, the upcoming launch of Style 360 is anticipated by viewers and advertisers with great excitement. Style 360 is not simply to cater to the elite few, but aims to reach the masses of Pakistan. It also promises to bring exciting local and international shows, information and entertainment into your homes.



DIRECTORS' REPORT

OPERATING RESULTS

The growth in terms of revenues and profit after taxation for the Company in the last three and a half years since its inception has been phenomenal. Net Revenues for the year ended June 30, 2008 were Rs. 910M as compared to Rs. 535M last year recording a 70% growth in net revenues over last year. The profit after tax of the Company soared to Rs. 225M as compared to Rs. 100 M of last year showing a growth of 125% in net profit after tax over last year. As discussed earlier there are many opportunities in the market for growth as well as diversification of the revenue streams including the opening of 2-3 new channels in the coming year. In view of this, the Board of Directors has recommended that no dividend should be declared for the year ended June 30, 2008.

KEY FINANCIAL DATA

PROFIT AFTER TAXATION

	2007-08	2006-07	2005-06	Jan.01, to Jun 30, 2005
	-----Rupees -----			
Profit/(Loss) before Taxation	355,075,212	146,238,200	(8,437,341)	(142,217,090)
Taxation	(129,769,075)	(45,834,062)	57,330,574	(100,055)
Net Profit/(Loss) for the year	<u>225,306,137</u>	<u>100,404,138</u>	<u>48,893,233</u>	<u>(142,317,145)</u>

EARNINGS/ (LOSS) PER SHARE

Earnings / (Loss) Basic and diluted	<u>4.51</u>	<u>2.01</u>	<u>1.00</u>	<u>(20.48)</u>
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OPERATING DATA

	2007-08	2006-07	2005-06	Jan.01,to Jun 30, 2005
Rupees			
Net Revenue	909,762,224	535,315,985	281,949,641	16,767,984
Cost Of Production	(320,373,944)	(244,628,088)	(201,443,732)	(90,751,827)
Gross Profit/(Loss)	<u>589,388,280</u>	<u>290,687,897</u>	<u>80,505,909</u>	<u>(73,983,843)</u>
Operating Profit/ (Loss)	<u>360,431,021</u>	<u>151,582,164</u>	<u>(9,907,806)</u>	<u>(143,336,525)</u>

MEETINGS OF THE DIRECTORS

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

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

AUDITORS

The Present auditors Messers Ford Rhodes Sidat Hyder & Co. Chartered Accountants shall retire and maybe considered for re-appointment for the year 2008-2009.

DIRECTORS' REPORT

CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the company, presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There 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	2,930,200 shares
Directors	-
Chief Financial Officer & Company Secretary	-
Spouses & minor children of CEO, Directors	-
CFD & Company Secretary	-
- Pattern of shareholding is included in the annexed shareholders' information.

For and on behalf of the Board of Directors

Duraid Qureshi
Chief Executive

Karachi: September 11, 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of EYE TELEVISION NETWORK LIMITED (the Company) as at June 30, 2008 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 ;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, 2008 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
September 11, 2008

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Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS

BALANCE SHEET

AS AT
JUNE 30,
2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	177,319,559	164,688,828
Intangible assets	6	8,177,772	9,166,826
Long term deposits and prepayments	7	5,709,662	8,211,751
Deferred costs	8	1,887,786	3,775,567
Television program costs	9	112,645,303	75,655,914
Deferred tax asset	10	4,372,088	16,209,152
		310,112,170	277,708,038
CURRENT ASSETS			
Inventories		825,950	337,137
Current portion of television program costs	9	151,547,759	101,449,749
Trade debts	11	471,962,721	245,087,323
Advances-unsecured, considered good	12	16,188,470	6,020,037
Deposits and prepayments	13	8,393,244	2,167,975
Interest accrued		333,201	159,682
Other receivables-unsecured, considered good		2,110,476	1,643,425
Taxation - net		-	29,247,315
Cash and bank balances	14	63,995,952	31,247,869
		715,357,773	417,360,512
TOTAL ASSETS		1,025,469,943	695,068,550
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 70,000,000 (2007: 70,000,000) ordinary shares of Rs.10/- each		700,000,000	700,000,000
Issued, subscribed and paid-up capital	15	500,000,000	500,000,000
Unappropriated profit		232,286,363	6,980,226
		732,286,363	506,980,226
NON-CURRENT LIABILITIES			
Long term financing	16	46,666,667	65,333,333
Liabilities against assets subject to finance lease	17	6,140,328	12,672,451
Deferred liabilities	18	11,803,029	8,603,117
		64,610,024	86,608,901
CURRENT LIABILITIES			
Trade and other payables	19	164,633,233	85,361,967
Accrued markup		2,754,605	2,279,281
Current portion of:			
- long term financing	16	23,333,333	4,666,667
- liabilities against assets subject to finance lease	17	15,286,436	9,171,508
Taxation-net		22,565,949	-
		228,573,556	101,479,423
COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		1,025,469,943	695,068,550

The annexed notes from 1 to 35 form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURAIQ OURESHI
Chief Executive

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED
JUNE 30,
2008

	Note	2008 ----- Rupees	2007 -----
Revenue – net	21	909,762,224	535,315,985
Cost of production	22	(298,915,340)	(227,465,657)
Transmission cost		(21,458,604)	(17,162,431)
		(320,373,944)	(244,628,088)
Gross profit		589,388,280	290,687,897
Distribution costs	23	(76,931,453)	(52,232,112)
Administrative expenses	24	(152,025,806)	(86,873,621)
		360,431,021	151,582,164
Other operating income	25	5,834,586	2,684,280
		366,265,607	154,266,444
Finance costs	26	(11,190,395)	(8,028,244)
Profit before taxation		355,075,212	146,238,200
Taxation	27	(129,769,075)	(45,834,062)
Profit after taxation		225,306,137	100,404,138
Earnings per share – basic and diluted	28	4.51	2.01

The annexed notes from 1 to 35 form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURAIQ QURESHI
Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED
JUNE 30,
2008

	Note	2008 ----- Rupees -----	2007
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	176,815,780	65,344,334
Taxes paid		(66,118,747)	(27,816,700)
Finance costs paid		(8,435,790)	(5,748,927)
Interest received		2,460,150	1,178,882
Long term deposits		3,667,018	1,524,666
Television program costs		(36,989,389)	(11,842,208)
Net cash generated from operating activities		71,399,022	22,640,047
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(32,788,748)	(67,556,021)
Net cash used in investing activities		(32,788,748)	(67,556,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	70,000,000
Payment of liabilities under finance lease		(5,862,191)	(5,901,213)
Net cash (used in) / generated from financing activities		(5,862,191)	64,098,787
Net increase in cash and cash equivalents		32,748,083	19,182,813
Cash and cash equivalents at the beginning of the year		31,247,869	12,065,056
Cash and cash equivalents at the end of the year		63,995,952	31,247,869

The annexed notes from 1 to 35 form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURAIQ QURESHI
Chief Executive

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
JUNE 30,
2008

	Issued, subscribed and paid-up capital	Unappropriated profit / (loss)	Total
	-----Rupees-----		
Balance as at June 30, 2006	500,000,000	(93,423,912)	406,576,088
Profit for the year	-	100,404,138	100,404,138
Balance as at June 30, 2007	500,000,000	6,980,226	506,980,226
Profit for the year	-	225,306,137	225,306,137
Balance as at June 30, 2008	500,000,000	232,286,363	732,286,363

The annexed notes from 1 to 35 form an integral part of these financial statements.

SULTANA SIDDIQUI
Chairperson

DURAJD QURESHI
Chief Executive