



HUM

NETWORK

Painting a New Tomorrow | Annual Report 2011



EYE TELEVISION
NETWORK LIMITED.

Vision

Inspired by the finest cultural, corporate and creative values to present content which entertains and enriches audiences.

Mission

To enable the origination of outstanding content on subjects of interest and relevance to a range of audiences while using the best professional practices and ensuring long-term continuity.

Notice of the Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of Hum Network Limited Formerly Eye Television Network Limited will be held on **Friday, October 28, 2011 at 02:30 pm** at Moosa D. Desai Auditorium, Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS:

- 1- To confirm the minutes of the Extra Ordinary General Meeting held on August 22, 2011.
- 2- To receive and adopt the Balance Sheet and Profit & Loss Account together with the Directors' and Auditors' reports thereon for the year ended June 30, 2011.
- 3- To consider and approve payment of 10 % i.e. Re.1 per share as Final Cash Dividend for the financial year ended June 30, 2011 as recommended by the Board of Directors.
- 4- To appoint Auditors and to fix their remuneration for the year ended June 30, 2012.
- 5- Any other business with the permission of the chair.

October 07, 2011
Karachi

By Order of the Board
Sd/-
Nasir Jamal
Company Secretary

Note: -

1. The share transfer books of the company will remain closed from October 22, 2011 to October 28, 2011 (both days inclusive)
2. All members are entitled to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak, and vote for him/ her. A proxy must be a member of the Company.
4. An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy may be obtained from the registered office of the Company during normal office hours.
5. An instrument of proxy and the power of attorney or other authority (if any), under which it is signed or a notarily certified copy of such power or authority must, to be valid, be deposited at the registered office not less than 48 hours before the time of the meeting.
6. Members are requested to notify immediately changes, if any, in their registered address.
7. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular 1, dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For Attending the Meeting

- i) In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC), or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting

B. For Appointing Proxies:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Company Information



BOARD OF DIRECTORS

Chairman
Directors

Mr. Mazhar-ul-Haq Siddiqui
Mrs. Mahtab Akbar Rashdi
Ms. Sultana Siddiqui
Mr. Munawar Alam Siddiqui
Mr. Shunaid Qureshi
Mr. Abdul Hamid Dagia
Mr. Muhammad Ayub Younus Adhi

Chief Executive Officer
Chief Financial Officer
Company Secretary

Mr. Duraid Qureshi
Mr. Islam Ahmed Khan
Mr. Nasir Jamal

AUDIT COMMITTEE

Chairman
Members

Mr. Shunaid Qureshi
Ms. Sultana Siddiqui
Mr. Muhammad Ayub Younus Adhi

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants,
7th Floor Progressive Plaza,
Beaumont Road, Karachi.

INTERNAL AUDITORS

KPMG Taseer Hadi & Company
Chartered Accountants,
1st Floor, Sheikh Sultan Trust Building
No.2, Beaumont Road, Karachi

LEGAL ADVISOR

Ijaz Ahmed & Associates
No.7, 11th Zamzama Street, Phase-V,
D.H.A. Karachi.

BANKERS

Bank Alfalah Limited
Faysal Bank Limited
National Bank of Pakistan
KASB Bank Ltd.
JS Bank Ltd.
Allied Bank Limited
United Bank Limited
Askari Bank Limited

REGISTERED & HEAD OFFICE

Hum TV, Plot No. 10/11,
Hassan Ali Street, Off. I.I. Chundrigar
Road, Karachi -74000
UAN 111-486-111

REGISTRAR/TRANSFER AGENT

Technology Trade (Pvt.) Ltd.
Dagia House, 241-C, Block-2,
P.E.C.H.S, Off: Shahrah-e-Quaideen,
Karachi.
Tel: 34391316-7 Fax: 34391318

At Hum Network leadership is all about doing the unexpected and doing it well. That is why we focus on pure entertainment, literary inspirations, local talents and content and not to forget, viewer feedback. Our

Leadership

outstanding viewership ratings are testimony to our belief that we are a culturally rich nation and any content springing from our roots wins viewers and their hearts.

Board of Directors

Mr. Duraid Qureshi

Chief Executive

Mr. Mazhar-ul-Haq Siddiqui

Chairman

Ms. Sultana Siddiqui

Director

Mrs. Mahtab Akbar Rashidi

Director

Mr. Abdul Hamid Dagia

Director

Mr. Muhammad Ayub Younus Adhi

Director

Mr. Munawar Alam Siddiqui

Director

Mr. Shunaid Qureshi

Director

HUM NETWORK ON THE GLOBE



Satellite: Asiasat 3S | Download Link: 4132 MHz | Symbol Rate: 9200 | FEC: 3/4 | Polarity: Horizontal



E-Vision



Dish Network LLC



Fetch TV



Fetch TV





On behalf of the Board of Directors, I am pleased to present the Seventh Annual Report together with the audited financial statements of the Network for the year ended June 30, 2011. This Report presents the financial, operating, corporate responsibility of the Network, and highlights key business achievements and challenges faced during the year.

CORPORATE RE-BRANDING

As part of the journey towards building a recognized brand, and enhancing viewer relevance, your network unveiled its new corporate brand name and logo "HUM NETWORK LIMITED". The new name represents our commitment to enter new avenues of business and give your company the image of a "Network". As we all believe this will enhance the mindshare and viewer loyalties towards the product offerings of your Network.

BUSINESS OVERVIEW

We entered this year trapped in circular debt facing rough economic conditions and uncertainty about the health of our market due to the factors like floods, low GDP growth, double-digit inflation, worsening safety environment, rising violence and political tension. However, we focused ourselves on strengthening operations, and as a result this past year our businesses managed to maintain our position.

Your Network continued to focus on high quality and innovative content aiming at presenting to its viewers a wide variety of fresh, entertaining and distinctive programming.

EVENTS

During the year your Network arranged a mixed bag of events from "Tributes to Reshma and Mohammad Rafi (late)", to Qawwalis by peerless Amjad Sabri and an entertaining music programme "Sarega-Celebration of Pakistani Music". Along with this, Masala Food Court brand building activity was continued with the exclusive sponsorship of Dawn Life Style and Bridal Couture Week respectively.

GOING GLOBAL

Your Network after reaching out to 50 States of America and to the UAE, has recognized that South Asians have a strong sense of attachment with their roots and origin and as a result the Network is planning to define the yardstick of success with a foray into foreign lands so that in the truest sense Pakistanis residing abroad feel at home. With this vision we entered new avenues by launching your Network through IPTV in New Zealand and Australia. Although with the global market being depressed and with fiscal prudence that has been the biggest lessons we have learnt from the recession; there will be careful evaluation for any opportunity. With this prudent approach there are plans in progress to enter new markets of GCC and Canada.

OVERSEAS SUBSIDIARY

With a view to broaden the horizon the Network acquired 100% shareholding in HUM TV Incorporation thus making it a wholly owned subsidiary. Although the subsidiary is yet to start commercial operations, it will give the Network added advantage in terms of its physical presence in the United States of America.

Any creative endeavor demands full time commitment and dedication. At Hum Network, it is one of our most basic foundations and most cherished values. Our people

Creativity

believe that enthusiasm, imagination and the desire to make a difference are the key drivers that help us produce one blockbuster after another.

"Creativity is inventing, experimenting,
growing, taking risks, breaking rules,
making mistakes, and having fun".

- Mary Lou Cook



CORPORATE SOCIAL RESPONSIBILITY

Your Network is committed to good corporate citizenship. As part of its corporate social responsibility (CSR), during the year under review, your Network dedicated a full six-hour Flood Relief Telethon transmission to generate funds for the affecties. Through this campaign people from all walks of life donated an amount of Rs. 5,000,000 to different relief agencies of their choice.

Your Network with its commitment to promote public well being devoted airtime during Ramadan worth Rs. 25,500,000 to LRBT and SIUT.

MEETINGS OF THE DIRECTORS

During the period six meetings of the directors were attended as follows:

Sultana Siddiqui	6
Duraid Qureshi	6
Munawar Alam Siddiqui	5
Mahtab Akbar Rashdi	5
M. Ayub Younus Adhi	6
Shunaid Qureshi	6
Abdul Hamid Dagia	1
Mazhar-ul-Haq Siddiqui*	5
Khush Bakht Shujat*	2

Subsequent to the balance sheet date, upon completion of their terms all the directors resigned and were re elected on August 22, 2011 except for Mr. Mazhar-ul-Haq Siddiqui who had withdrawn his consent. Mr. Abdul Hamid Dagia joined the Board as the new director.

* A casual vacancy arose due to the resignation of Mrs. Khush Bakht Shujat. The Board in its subsequent meeting appointed Mr. Mazhar-ul-Haq Siddiqui in place of Mrs. Khush Bakht Shujat.

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

AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants shall retire and may be considered for re-appointment for the year 2011-2012.

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:

	Acquisition	Transfer
CEO	-	-
Directors	700,000	1,510,000
CFO & Company Secretary	-	-
Spouses & minor children	-	-

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

CREDIT RATING

During the year the Network maintained its rating of "A1" and "A" awarded by PACRA respectively for short and long run.

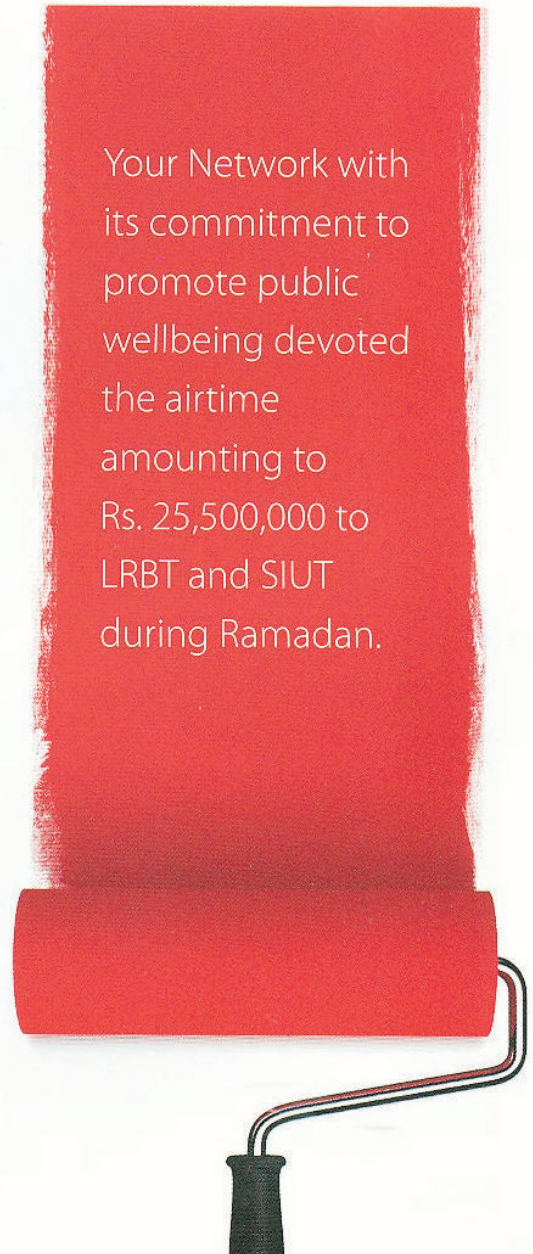
SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the subsidiary HUM TV INC (USA) is included in the consolidated financial statements. The subsidiary did not have any significant or material business transactions during the year.

FINANCIAL PERFORMANCE

Net revenues for the year ended June 30, 2011, were Rs. 1,436,505,007 as compared to Rs. 1,284,272,631 last year recording a growth of 11.85% in net revenues over last year. The Network was able to post after tax earnings of Rs. 188,802,336 during the year under review as compared to Rs. 205,635,956 in the previous financial year. The earning per share for the year ended June 30, 2011 was Rs. 3.78 as compared to Rs. 4.11 for last year.

Your Network with its commitment to promote public wellbeing devoted the airtime amounting to Rs. 25,500,000 to LRBT and SIUT during Ramadan.



Any commendable achievement in the world requires just as much commitment and teamwork. At Hum Network a formidable team of over 450 professionals

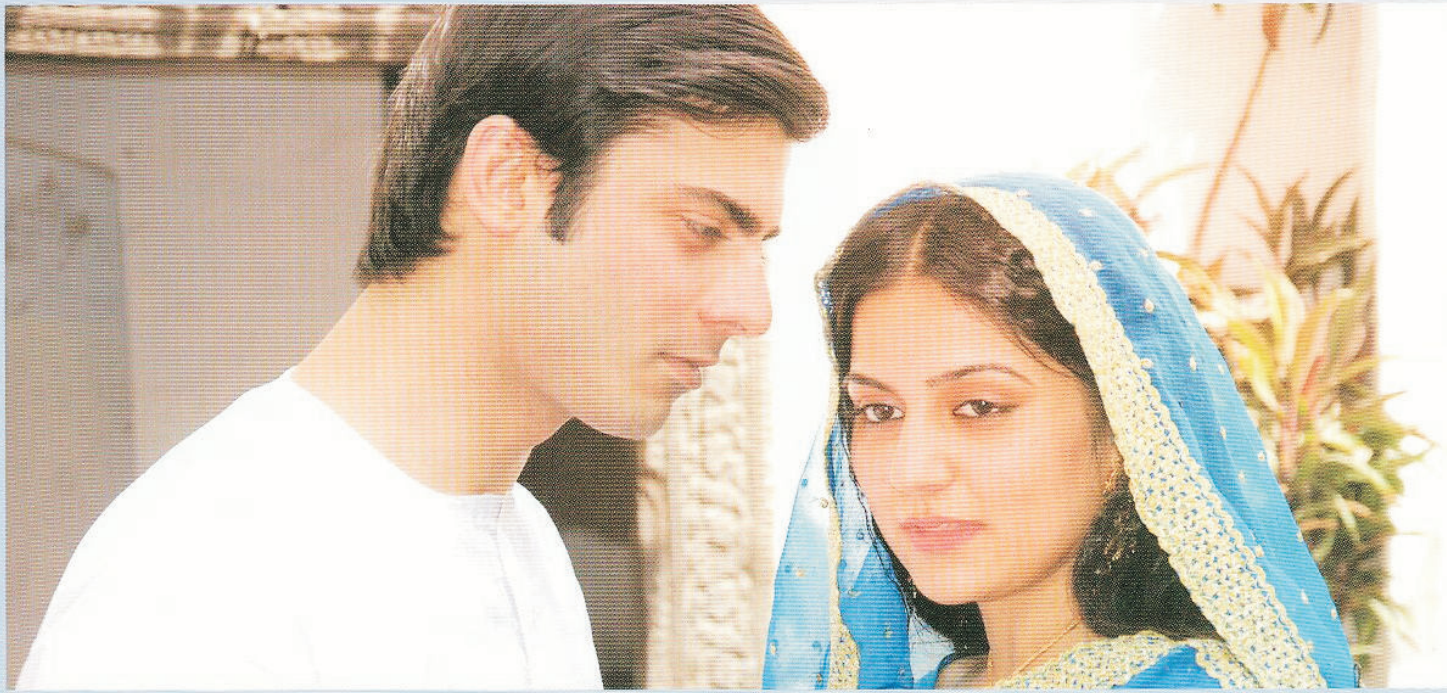
Teamwork

work hard to bring you heartwarming, award winning entertainment with culturally rich dramas, trendy fashions and mouthwatering meal ideas.

"Individual commitment to a group effort; that is what makes a team work, a company work, a society work, a civilization work."

- Vince Lombardi





Our brand Hum TV continued being the leader in core prime time which emphasized on different issues, with Main Abdul Qadir Houn that brought to the audience religious transformation of a young boy, Qaid-e-Tanhaï emphasizing problems of distant marital relationship, Dastaan showcasing the partition of Indo-Pak, Mere Khuwab Reza Reza focusing on a determined and ambitious woman in our society. Along with this diverse range in our Drama category some other top-rated dramas launched during the year include Pani Jaisa Pyar, Parsa, Ishq Gumshuda, Mera Naseeb, Aye Dasht-e-Junoon.





As a formidable player in the market HUM TV presented a rich mix of serials, soaps, gaming content of international standard like Jeetey Waseem Akram Se and a second season of Hum Tele Film Festival. The Telefilm Festival was continued as a legacy to introduce and promote new high quality talent in the industry with a promo-launch to the Award function; the glittering events were jam-packed with celebrities, media and the elite of the city. Humsay Magazine was re-designed with a new look. Sleek and glossy, full of exciting news, hot gossip, and movie reviews on the latest flicks with all the happenings in the media industry.





Masala TV continued presenting the mouth-watering programmes to its viewers, delicious recipes along with your favorite celebrity chefs from Zakir, to Zubaida Tariq, Gulzar to Rida Aftab and Shireen Anwer to Kokab Khawaja; the channel displayed a world of food entertainment to feast on. The channel with its commitment to explore new and interesting ways to approach food through culture, adventure, travel featured themed cooking shows like Basant, Lari Adda and Mughlai Food week. Masala TV continued to dominate the viewers' choice even after the launch of competitive channels amongst the food genre. Masala Magazine's performance further improved during the year under review, the magazine not only attracted more Ad revenue but also witnessed the increase in number of subscribers together with the improvement in monthly sales of the magazine as compared to last year.





style 360



Style 360 is still the only Pakistani 24X7 media platform dedicated to comprehensive and fastest review of Fashion, Lifestyle, Glamour, News, Events, Grapevine and Entertainment in Pakistan and abroad. The Channel focused its efforts to bring in the international lime-light the latest and upcoming trends. In view of this Style 360 showcased the mega glittering event of Bridal Couture Week in Karachi and Lahore; the event took off in a glorious way with an impressive line up of models including both local and international Divas. On the international front Style360 covered Dubai Fashion Week and London Fashion Week spread over a week-long series of events, catwalks, and parties where fashion designers and fashion houses displayed their latest collections.



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Key Financial data

OPERATING DATA

	2010-2011	2009-10	2008-09	2007-08	2006-07	2005-06
	(Rupees)					
Net Revenue	1,436,505,007	1,284,272,631	1,116,856,291	909,762,224	535,315,985	281,949,641
Cost Of Production	(773,760,901)	(689,448,618)	(459,622,610)	(320,373,944)	(244,628,088)	(201,443,732)
Gross Profit	662,744,106	594,824,013	657,233,681	589,388,280	290,687,897	80,505,909

PROFIT AFTER TAXATION

	2010-2011	2009-10	2008-09	2007-08	2006-07	2005-06
	(Rupees)					
Profit/(Loss) before Taxation	297,727,777	313,819,416	363,545,408	355,075,212	146,238,200	(8,437,341)
Taxation	(108,925,441)	(108,183,460)	(122,612,433)	(129,769,075)	(45,834,062)	57,330,574
Net Profit for the year	188,802,336	205,635,956	240,932,975	225,306,137	100,404,138	48,893,233

EARNINGS PER SHARE

	2010-2011	2009-10	2008-09	2007-08	2006-07	2005-06
	(Rupees)					
Earnings Basic and diluted	3.78	4.11	4.82	4.51	2.01	1.00

DIVIDEND AND APPROPRIATIONS

Based on these results, the board announced a final cash dividend of Re 1/- per share.

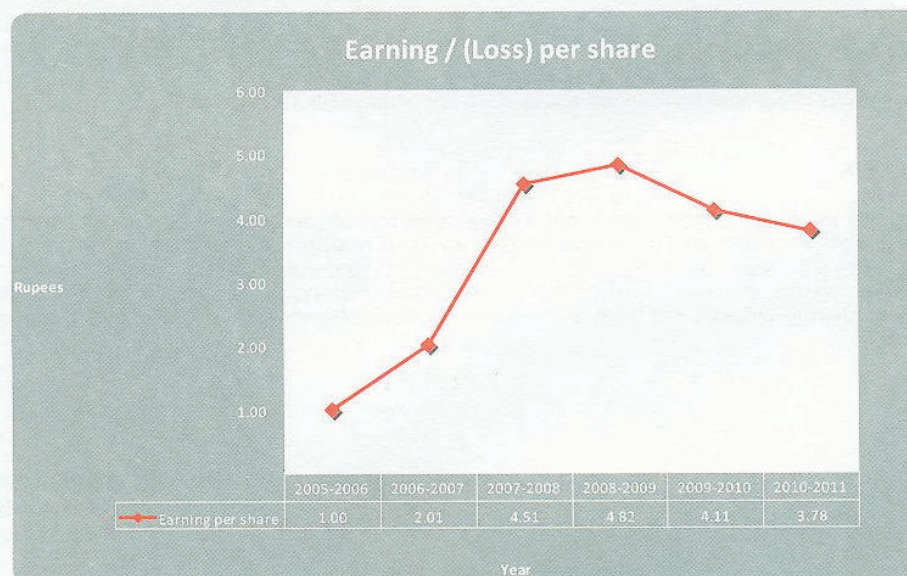
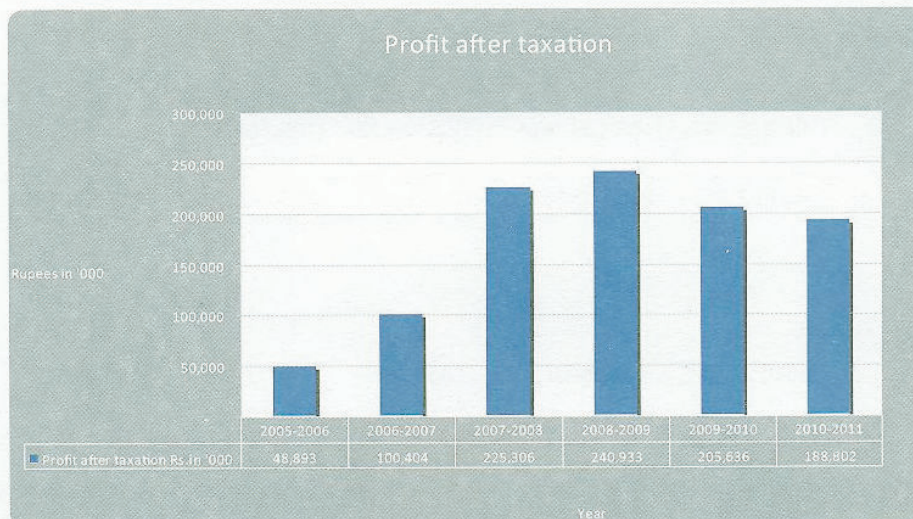
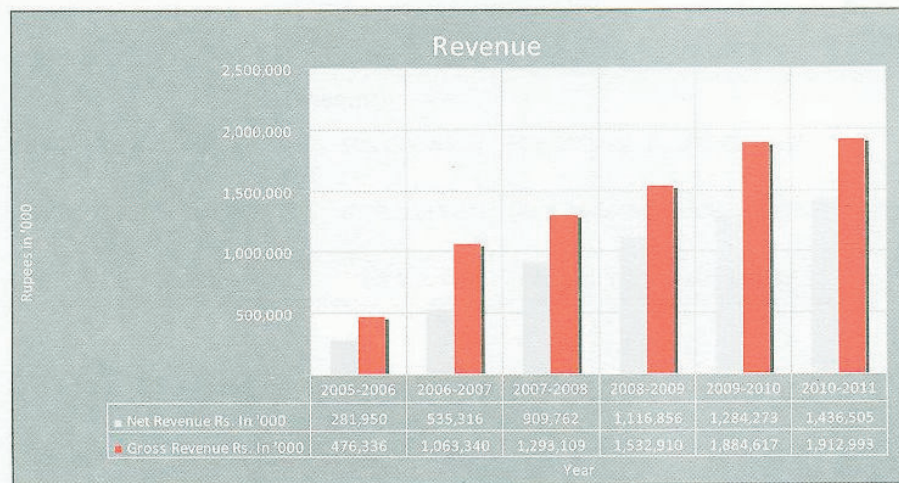
FUTURE OUTLOOK

High inflation, prevailing security conditions, fiscal weakness and power outages will be a significant challenge to business. Despite all these challenges the Network with the overall design has a progressive feel and reflects the idea of looking into the future with hope, depicting a more dynamic and spirited outlook. Though the projections of Media Industry do not look positive; however to sustain our position we have to be responsible and responsive to the constantly changing viewer preference. There is a rainbow of hope and it is an important element of the new packaging with a promise to "Paint a New Tomorrow".

October 06, 2011
Karachi

For & On behalf of the Board of Directors
Duraid Qureshi
Chief Executive

Graphical Presentation



Previous Years At a Glance



FINANCIAL RATIOS

	As-on Jun-11	As-on Jun-10	As-on Jun-09	As-on Jun-08	As-on Jun-07	As-on Jun-06
Current Ratios	2.07	1.69	1.99	3.92	4.31	2.72
Quick Ratio	1.28	1.10	1.30	3.07	3.24	1.98
Debt / Equity Ratio	0.02	0.05	0.10	0.12	0.16	0.05
Cash flow per share - Rs.	0.91	2.75	1.3	1.28	0.62	0.24
Return on equity - %	22.64	28.34	32.90	44.44	24.70	23.18
Share Price per share - Rs.	15.06	23.22	29.40	58.90	49.90	7.00
	12 Months Jun-11	12 Months Jun-10	12 Months Jun-09	12 Months Jun-08	12 Months Jun-07	12 Months Jun-06
Gross Profit / (Loss) to Sales - %	46.14	46.32	58.85	64.78	54.30	28.55
Net Profit / (Loss) to Sales - %	13.14	16.01	21.57	24.77	18.76	17.34
Interest Cover (Number of Times)	8.86	12.39	10.94	33.19	21.31	(14.69)
Debtors Turnover (Number of Days)	114	119	121.25	131.93	142.82	179.88
Administrative Expenses to Sales - %	13.20	12.12	16.94	16.71	16.23	23.89
Cost of Production To Sales - %	46.28	41.16	41.15	35.22	45.70	17.45
Price Earning Ratio	3.99	5.65	6.10	13.07	24.83	7.00
Turn Over to Total Asset Ratio	0.90	0.86	0.94	0.89	0.79	0.61
OPERATING TRENDS						
Net Revenues	1,436,505,007	1,284,272,631	1,116,856,291	909,762,224	535,315,641	281,949,641
Profit / (Loss) after Taxation	188,802,336	205,635,956	240,932,975	225,306,137	100,404,138	48,893,233
Earnings / (Loss) per Share Rs.	3.78	4.11	4.82	4.51	2.01	1.00

Pattern Of shareholding

Combined pattern Of Cdc & Physical Shareholdings As At June 30, 2011

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
307	1	100	3,792
141	101	500	61,524
55	501	1000	50,792
120	1001	5000	313,686
33	5001	10000	282,073
15	10001	15000	199,926
5	15001	20000	93,402
7	20001	25000	164,018
4	25001	30000	105,518
3	30001	35000	102,725
1	35001	40000	39,000
2	40001	45000	83,500
1	45001	50000	50,000
2	50001	55000	109,000
1	55001	60000	60,000
1	60001	65000	61,554
1	65001	70000	67,500
4	70001	75000	289,209
1	85001	90000	87,500
1	105001	110000	105,253
2	195001	200000	400,000
1	230001	235000	234,265
2	245001	250000	500,000
1	255001	260000	255,150
1	295001	300000	300,000
1	400001	405000	405,000
1	455001	460000	457,934
1	495001	500000	500,000
1	500001	505000	502,000
1	695001	700000	700,000
1	800001	805000	804,853
1	860001	865000	860,779
1	945001	950000	950,000
1	995001	1000000	1,000,000
1	1060001	1065000	1,060,992
1	1355001	1360000	1,359,812
1	1490001	1495000	1,490,233
1	1735001	1740000	1,738,500
1	1835001	1840000	1,840,000
1	1895001	1900000	1,900,000
1	2700001	2705000	2,702,317
1	3050001	3055000	3,053,500
1	4235001	4240000	4,236,500
1	6430001	6435000	6,430,193
1	6985001	6990000	6,988,000
1	6995001	7000000	7,000,000
733			50,000,000

Additional Information

As at June 30, 2011



Categories of Shareholders	Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.		
SAUDI PAK LEASING COMPANY LIMITED	26,500	
ALLIED BANK LIMITED	2,702,317	
SUMMIT BANK LIMITED	39,000	
Sub-Totals :	2,767,817	5.54
INSURANCE COMPANIES		
EFU GENERAL INSURANCE LIMITED	1,490,233	
Sub-Totals :	1,490,233	2.98
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
MRS. KHUSH BAKHT SHUJAAT	1	
MUHAMMAD AYUB	2,400,000	
SHUNAID QURESHI	11,924,500	
MRS. MEHTAB AKBAR RASHDI	1	
SULTANA SIDDIQUE	1,000,001	
DURAIQ QURESHI	6,430,194	
MR. MUNAWWAR ALAM SIDDIQUI	1	
MR. MAZHAR UL HAQ SIDDIQUI	1	
Sub-Totals :	21,754,699	43.5
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.		
JAHANGIR SIDDIQUI & CO. LIMITED	7,000,000	
Sub-Totals :	7,000,000	14
MODARABAS AND MUTUAL FUNDS.		
JS VALUE FUND LIMITED	1,359,812	
CDC - TRUSTEE PICIC GROWTH FUND	3,053,500	
CDC - TRUSTEE KASB ASSET ALLOCATION FUND	804,853	
MC FSL - TRUSTEE JS GROWTH FUND	1,060,992	
CDC - TRUSTEE KASB STOCK MARKET FUND.	234,265	
CDC - TRUSTEE NAFA MULTI ASSET FUND	457,934	
CDC - TRUSTEE NAFA STOCK FUND	860,779	
CDC - TRUSTEE JS LARGE CAP. FUND	1,840,000	
CDC - TRUSTEE PICIC INVESTMENT FUND	1,738,500	
Sub-Totals :	11,410,635	22.82

Additional Information

As at June 30, 2011

OTHERS

SAAO CAPITAL (PVT) LIMITED	1,688	
STOCK MASTER SECURITIES (PRIVATE) LTD.	500	
INVEST AND FINANCE SECURITIES LIMITED	10,000	
EXCEL SECURITIES (PVT.) LTD.	8,000	
AL-ABBAS SUGAR MILLS LIMITED	405,000	
MEHRAN SUGAR MILLS LTD	61,554	
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMIT	286	
PEBBLES (PRIVATE) LIMITED	50,000	
WE COMMODITIES (PRIVATE) LIMITED	350	
AMIN TAI SECURITIES (PRIVATE) LIMITED	70,963	
STOCK STREET (PVT) LIMITED.	2,724	
DARSON SECURITIES (PVT) LIMITED	864	
ISMAIL IQBAL SECURITIES (PVT) LTD.	22,001	
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SE	4,000	
AZEE SECURITIES (PRIVATE) LIMITED	4,390	
MULTILINE SECURITIES (PVT) LIMITED	1,000	
Sub-Totals :	643,320	1.29

Individual

Local - Individuals	4,933,296	
Sub-Totals :	4,933,296	9.87

G-Totals :	50,000,000	100.00
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SHAREHOLDERS HOLDING 10% AND ABOVE

M/s Jahangir Siddiqui and Company Limited	7,000,000	14.00
Mr. Shunaid Qureshi	11,924,500	23.84
Mr. Duraid Qureshi	6,430,194	12.86

Statement of Compliance with the Code of Corporate Governance



This Statement is being presented in compliance with the Code of Corporate Governance (the Code) contained in Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited. The purpose of the Code is to establish a framework 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 directors on its Board of Directors. The board of Directors comprise of three executives directors (including the chairperson) and five non – executives directors on the Board.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an NBFI. No one is a member of Stock Exchange.
4. No casual vacancy occurred in the Board during the current year.
5. The Company has prepared a “Statement of Ethics and Business Practices” which has been signed by all the Directors and the employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company which have been approved by the board. 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 powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairperson and in her absence, by a director elected by the Board for this purpose and the Board met 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 meetings were appropriately recorded and circulated.
9. The Company is committed to arrange orientation courses for its directors to apprise them of their duties and responsibilities in future.
10. The terms and conditions of appointment including remuneration of the Chief Financial Officer and Company Secretary were approved by the Board. The internal audit function of the company remained out sourced to “KPMG – TaseerHadi& Co Chartered Accountants”.
11. The directors’ report for this year 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 the 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 those disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The related party transactions have been placed before the audit committee and approved by the Board of directors with necessary justification for non arm’s length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm’s length transactions only if such terms can be substantiated.
16. The Board has formed an Audit Committee which comprises of three members, of whom two are Non-Executive Directors including the Chairman of the Committee and one Executive Director. The “Terms of reference of the Audit Committee and the “Internal Audit & Compliance Charter” was adopted by the Committee in its meeting held on October 29, 2005.
17. The Company has an effective internal audit function. The Board has out sourced the internal audit function to “KPMG – TaseerHadi& Co Chartered Accountants” who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
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 Accountants (IFAC) guidelines of Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

October 06, 2011
Karachi

For and on behalf of the Board of Directors

Sd/
DURAID QURESHI
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 (the Code) for the year ended 30 June 2011, prepared by the Board of Directors of HUM Network Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited 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 inquiries of the Company personnel and review of various documents prepared by the Company to comply with the 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 status of Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 June 2011.

October 06, 2011
Karachi

Sd/-
ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants



Auditor's Report To The Members

We have audited the annexed balance sheet of **HUM NETWORK LIMITED (formerly EYE TELEVISION NETWORK LIMITED) (the Company)** as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, 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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.1 to the accompanying financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 30 June 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

October 06, 2011
Karachi

Sd/-
ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

Balance Sheet

As at June 30, 2011

	Note	2011 ----- Rupees -----	2010 -----
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	199,568,794	208,541,148
Intangible assets	5	11,737,034	10,293,933
Long term investment	6	8,603	-
Long term deposits and prepayments	7	21,078,071	22,158,452
Television program costs	8	309,054,278	236,077,839
Deferred tax asset	9	15,253,641	12,690,754
		<u>556,700,421</u>	<u>489,762,126</u>
CURRENT ASSETS			
Inventories		252,652	1,239,544
Current portion of television program costs	8	396,767,617	349,476,028
Trade debts	10	468,324,289	429,946,271
Advances - unsecured, considered good	11	25,755,656	17,855,988
Deposits and prepayments	12	6,101,556	5,802,137
Accrued profit		227,964	485,528
Other receivables - unsecured, considered good	13	47,257,954	6,270,785
Taxation - net		47,171,235	48,340,919
Cash and bank balances	14	45,421,226	137,356,614
		1,037,280,149	996,773,814
TOTAL ASSETS		<u><u>1,593,980,570</u></u>	<u><u>1,486,535,940</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
70,000,000 (2010: 70,000,000) ordinary shares of Rs.10/- each		<u>700,000,000</u>	<u>700,000,000</u>
Issued, subscribed and paid-up capital	15	500,000,000	500,000,000
Reserve		522,657,630	333,855,294
		<u>1,022,657,630</u>	<u>833,855,294</u>
NON-CURRENT LIABILITIES			
Long term financing	16	-	13,999,997
Liabilities against assets subject to finance lease	17	2,938,636	3,531,105
Deferred liabilities	18	52,708,977	27,716,265
		55,647,613	45,247,367
CURRENT LIABILITIES			
Trade and other payables	19	256,401,164	333,319,994
Accrued mark-up	20	9,283,954	7,257,804
Short term borrowings	21	231,370,897	241,370,897
Current portion of:			
- long term financing	16	13,999,997	18,666,667
- liabilities against assets subject to finance lease	17	4,619,315	6,817,917
		515,675,327	607,433,279
COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		<u><u>1,593,980,570</u></u>	<u><u>1,486,535,940</u></u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAID QURESHI
Chief Executive

Profit and Loss Account

For the year ended June 30, 2011



	Note	2011 ----- Rupees -----	2010 -----
Revenue – net	23	1,436,505,007	1,284,272,631
Cost of production	24	(664,837,084)	(528,558,737)
Transmission cost	25	(108,923,817)	(160,889,881)
		(773,760,901)	(689,448,618)
Gross profit		662,744,106	594,824,013
Distribution costs	26	(161,642,712)	(114,951,107)
Administrative expenses	27	(189,641,390)	(155,622,190)
		311,460,004	324,250,716
Other operating income	28	32,041,451	24,156,831
		343,501,455	348,407,547
Finance costs	29	(38,768,670)	(28,116,813)
Other charges	30	(7,005,008)	(6,471,318)
Profit before taxation		297,727,777	313,819,416
Taxation	31	(108,925,441)	(108,183,460)
Profit after taxation		188,802,336	205,635,956
Earnings per share – basic and diluted	32	3.78	4.11

The annexed notes from 1 to 39 form an integral part of these financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAJD QURESHI
Chief Executive

Statement of Comprehensive Income

For the year ended June 30, 2011

	2011 ----- Rupees -----	2010 -----
Profit after taxation	188,802,336	205,635,956
Other comprehensive income - net of taxation	-	-
Total comprehensive income for the year - net of taxation	<u>188,802,336</u>	<u>205,635,956</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAIQ QURESHI
Chief Executive

Cash Flow Statement

For the year ended June 30, 2011



	Note	2011 ----- Rupees -----	2010 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	197,626,422	388,453,418
Taxes paid		(116,789,963)	(153,478,214)
Finance costs paid		(36,742,520)	(28,787,825)
Profit received on deposit accounts		7,332,737	4,505,753
Long term deposits and prepayments		1,080,381	(607,292)
Gratuity paid		(1,722,485)	(291,003)
Television program costs		(72,976,439)	(72,656,312)
Net cash (used in) / generated from operating activities		(22,191,867)	137,138,525
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(38,733,859)	(35,500,875)
Addition to capital work in progress		-	(2,276,500)
Long term investment in a subsidiary		(8,603)	-
Proceeds from the disposal of operating fixed assets		10,363,055	8,225,207
Addition to intangible assets		(3,587,550)	(3,890,619)
Net cash used in investing activities		(31,966,957)	(33,442,787)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(18,666,667)	(18,666,669)
Repayment of liabilities against assets subject to finance lease		(7,040,071)	(7,417,820)
Dividend paid		(2,069,826)	(93,050,053)
Net cash used in financing activities		(27,776,564)	(119,134,542)
Net decrease in cash and cash equivalents		(81,935,388)	(15,438,804)
Cash and cash equivalents at the beginning of the year		(104,014,283)	(88,575,479)
Cash and cash equivalents at the end of the year		(185,949,671)	(104,014,283)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	45,421,226	137,356,614
Short term borrowings	21	(231,370,897)	(241,370,897)
		(185,949,671)	(104,014,283)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAID QURESHI
Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2011

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	-----Rupees-----		
Balance as at June 30, 2009	500,000,000	225,719,338	725,719,338
Profit for the year	-	205,635,956	205,635,956
Other comprehensive income	-	-	-
Total comprehensive income	-	205,635,956	205,635,956
Dividends:			
Final Dividend for the year ended 30 June 2009: Re. 0.35 per share	-	(17,500,000)	(17,500,000)
First interim 2010: Re. 0.35 per share	-	(17,500,000)	(17,500,000)
Second interim 2010: Re. 0.75 per share	-	(37,500,000)	(37,500,000)
Third interim 2010: Re. 0.50 per share	-	(25,000,000)	(25,000,000)
Balance as at June 30, 2010	500,000,000	333,855,294	833,855,294
Profit for the year	-	188,802,336	188,802,336
Other comprehensive income	-	-	-
Total comprehensive income	-	188,802,336	188,802,336
Balance as at June 30, 2011	500,000,000	522,657,630	1,022,657,630

The annexed notes from 1 to 39 form an integral part of these financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAID QURESHI
Chief Executive

Notes to the Financial Statements

For the year ended June 30, 2011



1. THE COMPANY AND ITS OPERATIONS

- 1.1 HUM Network Limited (Formerly Eye Television Network Limited) (the Company) was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 (the Ordinance). The shares of the Company are quoted on Karachi Stock Exchange. The registered office of the Company is situated at Plot No. 10/11, Hassan Ali Street, Off. I.I. Chundrigar Road, Karachi, Pakistan.
- 1.2 The Company's principal business is to launch transnational satellite channels and aims at presenting a wide variety of cultural heritage. Its core areas of operation are production, advertisement, entertainment and media marketing. It covers a wide variety of programmes with respect to information, entertainment, news, education, health, food, music and society.
- 1.3 These financial statements are separate financial statements of the Company in which investment in a subsidiary is accounted for on the basis of direct equity interest and is not consolidated.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance, provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.1 New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year except as disclosed below:

The Company has adopted the following new and amended IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective during the year:

IFRS 2 – Group Cash-settled Share-based Payment Arrangements

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by International Accounting Standards Board (IASB)

Issued in 2009

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 7 – Statement of Cash flows Presentation of Financial Statements

IAS 17 – Leases

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS 3 – Business Combinations

IAS 27 – Consolidated and Separate Financial Statements

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

Notes to the Financial Statements

For the year ended June 30, 2011

2.2 Standards, amendments and interpretation to approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, amendments or interpretation:

Standards or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 – Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 – Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 – Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretation of the standards will not have any material effect on the Company's financial statements in the period of initial application, except certain additional disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention.

Notes to the Financial Statements

For the year ended June 30, 2011



3.2 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Property, plant and equipment and intangible assets

The Company reviews appropriateness of the rate of depreciation / amortisation, useful life and residual value used in the calculation of depreciation / amortisation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment and intangible assets, with corresponding effects on the depreciation / amortisation charge and impairment.

Staff retirement benefits

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and other factors. Due to long term nature of these plans, such estimates are subject to significant uncertainty. Significant actuarial assumptions have been adopted as disclosed in note 3.17 to the financial statements.

Income taxes

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

Television program costs

Estimates of total revenues can change significantly due to a variety of factors, including advertising rates and the level of market acceptance of the production. Accordingly, revenue estimates are reviewed periodically and amortisation is adjusted, if necessary. Such adjustments could have a material effect on results of operations in future periods.

3.3 Fixed assets and depreciation

3.3.1 Property, plant and equipment

Owned

Operating property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Notes to the Financial Statements

For the year ended June 30, 2011

Depreciation is charged to profit and loss account using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in Note 4.1. Depreciation on additions is charged from the month in which the assets are available to use and no depreciation is charged for the month in which asset was disposed off.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss account in the year the asset is derecognised.

The assets' residual values, useful lives and method of depreciation are revised, and adjusted if appropriate, at each balance sheet date.

Leased

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Assets acquired under finance lease are depreciated using the same basis as for owned assets.

Income on sale and lease back arrangement is deferred and amortised over the lease term.

3.3.2 Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any. It consists of expenditures incurred and advances made in respect of specific assets during the construction period. These are transferred to specific assets as and when assets are available for use.

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit and loss account in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss account when the asset is derecognised.

Notes to the Financial Statements

For the year ended June 30, 2011



3.5 Investment in a subsidiary

Investment in shares of the Company's subsidiary is stated at cost. Provision is made for permanent impairment in the value of investment, if any.

3.6 Television program costs

Television program costs represent unamortised cost of completed television programs and television programs in production. These costs include direct production costs, cost of inventory consumed, production overheads and are stated at the lower of cost, less accumulated amortisation and net realisable value (NRV). NRV is estimated by the management on the basis of future revenue generation capacity of the program. Where the recoverable amount is less than its carrying amount, the program cost is written down to its recoverable amount and the impairment loss is recognised as an expense in the profit and loss account in the year in which it arises. Acquired television program licences and rights are recorded when the licence period begins and the program is available for use. Marketing, distribution and general and administrative costs are expensed as incurred.

Television program costs and acquired television program licenses and rights are charged to expense based on the ratio of the total revenues earned till to date to gross revenues from all sources including estimated revenues less cost expensed in prior years on an individual production basis.

3.7 Inventories

Raw tapes cassettes, VCDs, DVDs and other materials and supplies are valued on average cost basis and are stated at the lower of cost and NRV.

3.8 Trade debts

Trade debts originated by the Company are recognised and carried at original invoice amounts less an allowance for doubtful debts. Provision for doubtful debts is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

3.9 Loans, advances and other receivables

These are stated at cost less provision for doubtful balance, if any.

3.10 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or on one percent of turnover under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred tax is recognised using the balance sheet liability method, on all major temporary differences arising at the balance sheet date between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Notes to the Financial Statements

For the year ended June 30, 2011

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current and deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements is shown in the current liabilities.

3.12 Long term and short term borrowings

These are recorded at the amount of proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount remaining unpaid.

3.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.15 Transactions with related parties

The Company enters into transactions with related parties on arm's length basis. These prices are determined in accordance with the methods prescribed in the Ordinance.

3.16 Revenue

Advertisement revenue gross of agency commission is recognised when the related advertisement or commercial appears before the public i.e., on telecast.

Revenue from barter transactions are considered realized when goods or services are exchanged, and the amount of the proceeds and cost, as well as economic benefits, can be clearly measured. Revenue is recognized at the market value of the bartered item or service and may be adjusted with an additional cash payments / receipts.

Production revenue is recognised when production work is completed.

Subscription fees are earned over the period the services are provided. Subscription revenue arises from the monthly billing to subscribers for services provided by the Company. Revenue is recognised in the month the service is rendered.

Profit on bank deposits is accounted for on accrual basis.

3.17 Staff retirement benefits

An unfunded gratuity scheme is operated for permanent employees completing prescribed period of service in

Notes to the Financial Statements

For the year ended June 30, 2011



accordance with service rules of the Company. Provision for gratuity under the scheme is made annually on the basis of actuarial valuation using "Projected Unit Credit Actuarial Cost Method". The latest actuarial valuation was carried out as of June 30, 2011.

Actuarial gains and losses in excess of 10 percent of the present value of the defined benefit obligations are recognised and spread over expected average remaining service lives of employees.

The principal actuarial assumptions used for the purpose of the valuation are:

	2011	2010
	%	%
Discount rate	14.5	11
Expected rate of salary increases	14.5	11

3.18 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

3.19 Off setting of financial assets and liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

3.20 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to profit and loss account currently.

3.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of assets and incurred during the period in connection with the activities necessary to prepare the asset for its intended use are capitalized as a part of the cost of related asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.23 Impairment

3.23.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

Notes to the Financial Statements

For the year ended June 30, 2011

3.23.2 Non-financial assets

The carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognised, as an expense, in the profit and loss account, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

3.24 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

Notes to the Financial Statements

For the year ended June 30, 2011

4.2 Disposal of operating fixed assets:

Vehicles	Cost	Accumulated depreciation	Written down value	Sale price	Gain	Mode of disposal	Particulars of buyer
	Rupees						
Toyota Corolla	875,000	875,000	-	872,220	872,220	Tender	Mr. Zahid Qadri
Toyota Corolla	1,050,000	1,050,000	-	831,800	831,800	Negotiation	Mr. Syed Shahab Ali - E employee
Honda City	795,000	795,000	-	728,220	728,220	Tender	Mr. Zahid Qadri
Suzuki Cultus	550,000	550,000	-	491,800	491,800	Negotiation	Mr. Arif Hussain - Employee
Suzuki Cultus	550,000	550,000	-	470,999	470,999	Negotiation	Mr. Salahuddin Akbar - E employee
Suzuki Cultus	636,097	445,268	190,829	688,220	497,391	Tender	Mr. Zahid Qadri
Daihatsu Cuore	403,000	403,000	-	473,220	473,220	Tender	Mr. Zahid Qadri
Daihatsu Cuore	451,000	315,700	135,300	552,000	416,700	Negotiation	Mr. Irfan Qureshi - Employee
Suzuki Changan	350,000	350,000	-	312,000	312,000	Negotiation	Mr. M. Asif Qureshi - E employee
Suzuki Bolan	367,000	367,000	-	432,000	432,000	Negotiation	Mr. Irfan Qureshi - Employee
Suzuki Baleno	739,000	739,000	-	200,000	200,000	Negotiation	Mr. Razia Arif - Employee
Honda City	860,622	860,622	-	715,000	715,000	Tender	Mr. Azhar Hussain
Honda City	853,500	597,450	256,050	256,050	-	Employee Scheme	Mr. Naufil Aftab - E Employee
Daihatsu Cuore	451,000	315,700	135,300	135,300	-	Employee Scheme	Mr. Abbas Hussain - Employee
Honda City	905,200	905,200	-	271,560	271,560	Negotiation	Mr. Jaffer Ali - Employee
Toyota Mark X	2,279,792	1,505,373	774,419	2,587,142	1,812,723	Negotiation	Mr. Nasir Tehrani - Employee
Daihatsu Cuore	479,000	335,300	143,700	143,700	-	Employee Scheme	Mr. Noman Nabi - Employee
Suzuki Cultus	590,000	413,000	177,000	177,000	-	Employee Scheme	Mr. M. Yousuf Qazi - Employee

Computers

Items having book value

upto Rs. 50,000	2,779,046	2,730,977	48,069	24,824	(23,245)	Tender	Various
	15,964,257	14,103,590	1,860,667	10,363,055	8,502,388		

Note 2011 2010
----- Rupees -----

4.3 Depreciation for the year has been allocated as follows:

Cost of production	24	29,355,791	32,718,294
Distribution costs	26	6,434,860	3,689,567
Administrative expenses	27	14,303,895	8,704,776
		<u>50,094,546</u>	<u>45,112,637</u>

4.4 Change in accounting estimate

During the year effective July 01, 2010, the Company has reviewed the useful life of vehicles which resulted in revision of depreciation rate from 20% to 33%.

In the opinion of the management, the revision would result in a more accurate reflection of depreciation charge over the useful life of the related asset. The above change has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8 (Accounting policies, Changes in accounting Estimates and Errors). Had the estimate not been revised the depreciation charge would have been lower and profit before tax for the year also would have been higher by Rs. 5.982 million and carrying value of operating fixed assets would have been higher by same amount.

4.5 Capital work-in-progress

Advance to a supplier for equipment	-	2,276,500
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5. INTANGIBLE ASSETS

Description	2011							Book value as at June 30, 2011	Amortisation Rate % per annum
	Cost		Accumulated amortisation			As at June 30, 2011			
	As at July 1, 2010	Additions	As at June 30, 2011	As at 2010	for the year (Note 5.1)				
	Rupees								
Computer softwares	6,786,992	3,187,550	9,974,542	4,386,329	1,430,509	5,816,838	4,157,704	20 - 33	
License fee	10,500,000	-	10,500,000	2,606,730	700,350	3,307,080	7,192,920	6.67	
Trade Mark	500,000	400,000	900,000	500,000	13,590	513,590	386,410	20	
2011	<u>17,786,992</u>	<u>3,587,550</u>	<u>21,374,542</u>	<u>7,493,059</u>	<u>2,144,449</u>	<u>9,637,508</u>	<u>11,737,034</u>		

Description	2010							Book value as at June 30, 2010	Amortisation Rate % per annum
	Cost		Accumulated amortisation			As at June 30, 2010			
	As at July 1, 2009	Additions	As at June 30, 2010	As at 2009	for the year (Note 5.1)				
	Rupees								
Computer softwares	5,896,373	890,619	6,786,992	3,331,432	1,054,897	4,386,329	2,400,663	20 - 33	
License fee	7,500,000	3,000,000	10,500,000	1,973,080	633,650	2,606,730	7,893,270	6.67	
Trade Mark	500,000	-	500,000	500,000	-	500,000	-		
2010	<u>13,896,373</u>	<u>3,890,619</u>	<u>17,786,992</u>	<u>5,804,512</u>	<u>1,688,547</u>	<u>7,493,059</u>	<u>10,293,933</u>		

Note 2011 2010
----- Rupees -----

5.1 Amortisation for the year has been allocated as follows:

Cost of production	24	1,192,073	639,766
Administrative expenses	27	952,376	1,048,781
		<u>2,144,449</u>	<u>1,688,547</u>

Notes to the Financial Statements

For the year ended June 30, 2011



	Note	2011 ----- Rupees	2010 ----- Rupees
6. LONG TERM INVESTMENT			
Unquoted subsidiary - at cost			
HUM TV, Inc. 100% holding (2010: Nil)	6.1	<u>8,603</u>	<u>-</u>
6.1	On April 01, 2011, the Company acquired 10,000 ordinary shares, having a face value of US \$0.01 each, of HUM TV, Inc., a company incorporated in the United States of America at a cost of US \$0.01 per share.		
7. LONG TERM DEPOSITS AND PREPAYMENTS			
Security deposits			
-Lease		465,350	1,856,252
-Rent		1,055,000	1,055,000
-Trade	7.1	19,285,306	19,197,200
-Others		272,415	50,000
		<u>21,078,071</u>	<u>22,158,452</u>
7.1	This includes trade deposit of Rs. 13.9 million (2010: Rs. 13.8 million) given to Asia Satellite for uplinking transmission.		
8. TELEVISION PROGRAM COSTS			
Unreleased / released less amortisation		688,558,450	571,653,065
In production		<u>17,263,445</u>	<u>13,900,802</u>
		705,821,895	585,553,867
Less: Current portion of television program costs		<u>396,767,617</u>	<u>349,476,028</u>
		<u>309,054,278</u>	<u>236,077,839</u>
9. DEFERRED TAX ASSETS			
Deductible temporary differences			
Provision for staff retirement benefits		18,448,142	9,700,693
Provision for doubtful debts		11,165,277	17,525,150
Others		<u>5,894,667</u>	<u>6,162,390</u>
		35,508,086	33,388,233
Taxable temporary differences			
Accelerated tax depreciation / amortisation allowances		<u>(20,174,658)</u>	<u>(20,527,544)</u>
Others		<u>(79,787)</u>	<u>(169,935)</u>
		<u>(20,254,445)</u>	<u>(20,697,479)</u>
		<u>15,253,641</u>	<u>12,690,754</u>
10. TRADE DEBTS - unsecured			
Considered good		468,324,289	429,946,271
Considered doubtful		<u>31,900,792</u>	<u>50,071,856</u>
		500,225,081	480,018,127
Less: Provision for doubtful debts	10.1	<u>31,900,792</u>	<u>50,071,856</u>
		<u>468,324,289</u>	<u>429,946,271</u>
10.1	The movement in provision for doubtful debts is as follows:		
Balance as at the beginning of the year		50,071,856	60,161,776
(Reversal) / provision made during the year	26	<u>(3,950,230)</u>	<u>10,822,179</u>
Written off during the year		<u>(14,220,834)</u>	<u>(20,912,099)</u>
Balance as at the end of the year		<u>31,900,792</u>	<u>50,071,856</u>

Notes to the Financial Statements

For the year ended June 30, 2011

	Note	2011	2010
		----- Rupees -----	----- Rupees -----
The aging of trade debts as at June 30 is as follows:			
Neither past due nor impaired		325,934,612	173,694,712
Past due but not impaired			
- 60 to 90 days		105,848,816	111,986,946
- over 90 days		36,540,861	144,264,613
		<u>468,324,289</u>	<u>429,946,271</u>
11. ADVANCES - unsecured, considered good			
Advances to:			
producers		19,141,773	13,275,457
suppliers		6,211,897	4,527,541
employees' against sala		182,208	52,990
executives against salary		219,778	-
		<u>25,755,656</u>	<u>17,855,988</u>
12. DEPOSITS AND PREPAYMENTS			
Deposits	12.1	3,241,200	2,431,350
Prepayments		2,860,356	3,370,787
		<u>6,101,556</u>	<u>5,802,137</u>
12.1 Includes trade deposits of Rs.1.4million (2010: Rs.1.4million) given to Pakistan Electronic Media Regulatory Authority (PEMRA).			
13. Includes an amount of Rs.44,041,125/- (2010: Rs.Nil) receivable from HUM TV, Inc., USA, a subsidiary on account of collections made on Company's behalf.			
		2011	2010
		----- Rupees -----	----- Rupees -----
14. CASH AND BANK BALANCES			
Cash in hand		248,539	172,264
Cash at bank			
- in current accounts		7,712,848	9,171,762
- in deposit accounts	14.1	37,459,839	128,012,588
		<u>45,172,687</u>	<u>137,184,350</u>
		<u>45,421,226</u>	<u>137,356,614</u>
14.1 These carry profit at the rates ranging from 9.5 to 11 (2010: 9.5 to 11.5) percent per annum.			
15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		2011	2010
		----- Rupees -----	----- Rupees -----
		2011	2010
		No. of shares	No. of shares
		<u>50,000,000</u>	<u>50,000,000</u>
		Ordinary shares of Rs.10/- each fully paid in cash	Ordinary shares of Rs.10/- each fully paid in cash
		<u>500,000,000</u>	<u>500,000,000</u>
15.1 Includes 7,000,000 shares representing 14 (2010: 14) percent holding by Jahangir Siddiqui & Company Limited, an associated company.			
	Note	2011	2010
		----- Rupees -----	----- Rupees -----
16. LONG TERM FINANCING - secured			
Long term financing	16.1	13,999,997	32,666,664
Less: Current portion		13,999,997	18,666,667
		<u>-</u>	<u>13,999,997</u>
16.1 Represents term finance facility of Rs.70 million from a commercial bank. It carries a mark-up rate of six months' KIBOR plus 2 percent per annum and is repayable in 15 quarterly installments by December 2011 with a grace period of five quarters. It is secured by way of first charge over the Company's leasehold land and building.			

Notes to the Financial Statements

For the year ended June 30, 2011



17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011		2010	
	Minimum lease payments	Present value	Minimum lease payments	Present value
----- Rupees -----				
Not later than one year	5,374,995	4,619,315	7,566,429	6,817,917
Later than one year and not later than five years	3,450,475	2,938,636	3,631,198	3,531,105
Total minimum lease payments	8,825,470	7,557,951	11,197,627	10,349,022
Less: Financial charges allocated to future periods	1,267,519	-	848,605	-
Present value of minimum lease payments	7,557,951	7,557,951	10,349,022	10,349,022
Less: Current portion shown under current liabilities	4,619,315	4,619,315	6,817,917	6,817,917
	<u>2,938,636</u>	<u>2,938,636</u>	<u>3,531,105</u>	<u>3,531,105</u>

17.1 The value of minimum lease payments has been discounted at implicit rates ranging from 12.8 to 21 (2010: 12.5 to 16.9) percent per annum to arrive at their present values.

17.2 The above represent finance leases entered into by the Company with local banks for vehicles. Total lease rentals due under various lease agreements amounting to Rs. 8.825 million (2010: Rs. 11.197 million) and are payable in monthly installments latest by 2014. Overdue rental payments are subject to an additional charge of 0.1 percent per day for the number of days the rentals remain overdue. Taxes, repairs, replacement and insurance costs are to be borne by the Company. In case of termination of agreement, the Company has to pay the entire rent for the unexpired period. The leases have floating rate of 3 months KIBOR plus 2.15 (2010: 2.5) percent per annum with floor of Nil (2010: 12.5) percent per annum.

18. DEFERRED LIABILITIES	Note	2011	2010
		----- Rupees -----	
Staff gratuity	18.1	<u>52,708,977</u>	<u>27,716,265</u>
18.1 Staff gratuity			
18.1.1 Movement in liability			
Opening balance		27,716,265	19,554,008
Charge for the year	18.1.2	26,715,197	8,453,260
Payment during the year		(1,722,485)	(291,003)
Closing balance		<u>52,708,977</u>	<u>27,716,265</u>
18.1.2 Charge for the year			
Current service cost		10,236,531	6,045,901
Interest cost		5,610,854	2,407,359
Recognition of Unrecognized Past Service Cost		8,343,241	-
amortisation of Past Service Cost		2,524,571	-
		<u>26,715,197</u>	<u>8,453,260</u>
18.1.3 Movement in defined benefit obligation			
Present value of defined benefit obligation at beginning of the year		27,716,265	19,554,008
Service cost		10,236,531	6,045,901
Interest cost		5,610,854	2,407,359
Benefits paid		(1,722,485)	(291,003)
Recognition of Unrecognized Past Service Cost		8,343,241	-
amortisation of Past Service Cost		2,524,571	-
		<u>52,708,977</u>	<u>27,716,265</u>

Notes to the Financial Statements

For the year ended June 30, 2011

18.1.4 Comparison	2 0 1 1	2 0 1 0	2 0 0 9
	----- Rupees -----		
Present value of defined benefit obligation	<u>52,708,977</u>	<u>27,716,265</u>	<u>19,554,008</u>
	Note	2 0 1 1	2 0 1 0
		----- Rupees -----	
19. TRADE AND OTHER PAYABLES			
Creditors	19.1	160,370,273	237,858,956
Accrued liabilities		82,360,368	65,261,628
Withholding tax payable		2,641,438	12,809,028
Sales tax payable		195,165	-
Advances from customers		1,179,618	3,516,959
Workers' welfare fund		6,224,639	6,471,318
Unclaimed and unpaid dividend		2,380,121	4,449,947
Others		1,049,542	2,952,158
		<u>256,401,164</u>	<u>333,319,994</u>
19.1	Includes Rs. Nil (2010: Rs. 35,973,404/-) due to related party MD Production.		
		2 0 1 1	2 0 1 0
		----- Rupees -----	
20. ACCRUED MARK-UP			
Long term finance		581,894	2,425,184
Running finance utilized under mark-up arrangement		8,702,060	4,832,620
		<u>9,283,954</u>	<u>7,257,804</u>
21. SHORT TERM BORROWINGS - secured			
Running finance under mark-up arrangement			
	The financing facility available from a commercial bank as at June 30, 2011 amounted to Rs.250 million (2010: Rs.250 million), of which Rs. 18.629million (2010: Rs.8.629million) remained unutilized at the year end. This facility is secured by way of Pari Passu charge on all current assets of the Company and carry mark-up rate at three months' KIBOR+ 1.25% (2010: three months' KIBOR + 1.25%) per annum and the facility is maturing within twelve months.		
22. COMMITMENTS			
22.1	Purchase of television programs commitments as at June 30, 2011 amounted to Rs.141,723,780/(2010: Rs.76,496,100/-).		
22.2	Bank guarantees outstanding as at June 30, 2011 amounting to Rs. Nil (2010 : Rs. 6,266,666/-).		
		2 0 1 1	2 0 1 0
	Note	----- Rupees -----	
23. REVENUE – net			
Advertisement revenue		2,187,212,817	2,137,988,688
Less: Agency commission		259,483,191	237,373,739
Sales tax		274,219,413	253,372,017
Discount to customers		264,691,027	382,664,215
		<u>798,393,631</u>	<u>873,409,971</u>
		1,388,819,186	1,264,578,717
Subscription income		44,987,381	7,450,975
Production revenue		2,698,440	12,242,939
		<u>1,436,505,007</u>	<u>1,284,272,631</u>

Notes to the Financial Statements

For the year ended June 30, 2011



	Note	2 0 1 1 ----- Rupees	2 0 1 0 ----- Rupees
24. COST OF PRODUCTION			
Cost of outsourced programs		449,489,013	366,728,286
Cost of in-house programs		92,409,232	91,243,411
Cost of inventory consumed		2,868,305	7,858,369
Salaries, wages and benefits	24.1	145,894,607	132,541,586
Depreciation	4.3	29,355,791	32,718,294
Traveling and conveyance		15,573,105	13,082,603
Utilities		13,465,570	12,398,994
Rent, rates and taxes		6,460,401	6,273,512
Backup storage charges		2,510,918	2,424,216
Insurance		3,483,224	2,727,234
Repair and maintenance		8,903,188	7,421,421
Fee and subscription		6,816,849	5,948,814
Communication		4,847,839	2,301,889
Security charges		1,387,534	944,261
Amortisation of intangible assets	5.1	1,192,073	639,766
Printing and stationery		447,463	627,616
		<u>785,105,112</u>	<u>685,880,272</u>
In production television programs - opening		13,900,802	13,643,385
In production television programs - closing	8	<u>(17,263,445)</u>	<u>(13,900,802)</u>
		781,742,469	685,622,855
Released / unreleased programs - opening		571,653,065	414,588,947
Released / unreleased programs - closing	8	<u>(688,558,450)</u>	<u>(571,653,065)</u>
		<u>664,837,084</u>	<u>528,558,737</u>

24.1 These include Rs. 11,744,989/- (2010: Rs. 3,985,290/-) in respect of staff retirement benefits.

25. Includes transmission cost amounting to Rs. Nil (2010: Rs. 46,666,662/-) related to Shalimar Recording & Broadcasting Co. Limited against purchase of air time of Shalimar FM Radio Network for Humara FM 94.6. The arrangement with Shalimar has been rescinded during the year due to unfavourable future profits from the venture.

	Note	2 0 1 1 ----- Rupees	2 0 1 0 ----- Rupees
26. DISTRIBUTION COSTS			
Advertisement and promotion		82,701,606	43,097,219
Salaries, wages and benefits	26.1	52,521,773	38,626,027
(Reversal) / provision for doubtful debts	10.1	(3,950,230)	10,822,179
Traveling and conveyance		13,778,626	9,079,919
Rent, rates and taxes		1,599,386	2,549,741
Utilities		1,863,196	1,990,718
Depreciation	4.3	6,434,860	3,689,567
Communication		1,877,647	1,479,051
Insurance		1,119,679	600,795
Repair and maintenance		2,260,945	1,769,870
Fees and subscription		812,877	187,500
Security charges		282,964	459,045
Printing and stationery		339,383	599,476
		<u>161,642,712</u>	<u>114,951,107</u>

26.1 These include Rs. 3,666,145/- (2010: Rs. 942,791/-) in respect of staff retirement benefits.

Notes to the Financial Statements

For the year ended June 30, 2011

	Note	2 0 1 1	2 0 1 0
		----- Rupees -----	-----
27. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	27.1	97,647,542	83,559,790
Advisory fee	27.2	36,368,903	18,684,000
Depreciation	4.3	14,303,895	8,704,776
Repair and maintenance		5,862,634	8,500,355
Communication		3,910,149	5,584,349
Traveling and conveyance		8,045,334	6,355,652
Fee and subscription		3,962,966	6,143,752
Utilities		3,877,107	3,418,217
Legal and professional charges		2,361,316	3,574,718
Printing, stationery and periodicals		2,085,553	2,117,893
Rent, rates and taxes		6,884,456	4,780,560
Insurance		1,815,242	1,220,694
Amortisation of intangible assets	5.1	952,376	1,048,781
Auditors' remuneration	27.3	1,239,432	1,377,435
Security charges		239,485	301,218
Donations	27.4	85,000	250,000
		<u>189,641,390</u>	<u>155,622,190</u>

27.1 These include Rs. 11,304,063/- (2010: Rs. 3,525,188/-) in respect of staff retirement benefits

27.2 Represents amount paid / payable to directors for advisory services rendered in terms of their advisory agreements duly approved by the Board of Directors.

	2 0 1 1	2 0 1 0
	----- Rupees -----	-----
27.3 Auditors' remuneration		
Audit fee	600,000	600,000
Half yearly review and other certifications	375,402	410,000
Tax services	75,000	115,000
Out of pocket expenses	189,030	252,435
	<u>1,239,432</u>	<u>1,377,435</u>

27.4 The chief executive, directors and their spouses do not have any interest in the donee funds.

	2 0 1 1	2 0 1 0
	----- Rupees -----	-----
28. OTHER OPERATING INCOME		
Income from financial assets		
Profit on deposit accounts	7,075,173	4,528,810
Net exchange gain	-	879,098
	<u>7,075,173</u>	<u>5,407,908</u>
Income from non financial assets		
Gain on disposal of operating fixed assets	8,502,388	6,659,668
Magazine, DVD sale and others	16,463,890	12,089,255
	<u>24,966,278</u>	<u>18,748,923</u>
	<u>32,041,451</u>	<u>24,156,831</u>
29. FINANCE COSTS		
Mark-up on long term finance	3,167,365	5,670,854
Mark-up on short term running finance	34,418,708	20,305,161
Finance lease charges	952,526	1,708,728
Bank charges	230,071	432,070
	<u>38,768,670</u>	<u>28,116,813</u>

Notes to the Financial Statements

For the year ended June 30, 2011



	Note	2 0 1 1	2 0 1 0
		Rupees	
30. OTHER CHARGES			
Workers' welfare fund		6,224,639	6,471,318
Net exchange loss		780,369	-
		<u>7,005,008</u>	<u>6,471,318</u>
31. TAXATION			
Current	31.1	114,109,070	110,983,102
Prior		(2,620,742)	-
		<u>111,488,328</u>	<u>110,983,102</u>
Deferred		(2,562,887)	(2,799,642)
		<u>108,925,441</u>	<u>108,183,460</u>
31.1 It includes flood surcharge amounting to Rs. 4,784,316/- (2010: Rs. Nil).			
		2 0 1 1	2 0 1 0
		%	%
Tax charge reconciliation			
Applicable tax rate as per Income Tax Ordinance, 2001		35.00	35.00
Tax effect of amounts that are:			
Not deductible for tax purposes		1.73	0.38
Effect of deferred tax charge		(0.86)	(0.91)
Effect of prior year tax		(0.88)	-
Effect of flood surcharge		1.61	-
		<u>1.60</u>	<u>(0.53)</u>
Average effective tax rate charged to profit and loss account		<u>36.60</u>	<u>34.47</u>
		2 0 1 1	2 0 1 0
32. EARNINGS PER SHARE – basic and diluted			
Profit after taxation	Rupees	<u>188,802,336</u>	<u>205,635,956</u>
Weighted average number of ordinary shares outstanding during the year		<u>50,000,000</u>	<u>50,000,000</u>
Earnings per share	Rupees	<u>3.78</u>	<u>4.11</u>
32.1 Basic earning per share has no dilution effect.			
		2 0 1 1	2 0 1 0
		Rupees	
33. CASH FLOWS FROM OPERATING ACTIVITIES		297,727,777	313,819,416
Profit before taxation			
Adjustments for :			
Depreciation		50,094,546	45,112,637
Amortisation of intangible assets		2,144,449	1,688,547
Finance costs		38,768,670	28,116,813
Profit on deposit accounts		(7,075,173)	(4,528,810)
Gain on disposal of operating fixed assets		(8,502,388)	(6,659,668)
Movement in provisions		28,989,606	25,746,757
		<u>104,419,710</u>	<u>89,476,276</u>
Operating profit before working capital changes		<u>402,147,487</u>	<u>403,295,692</u>
Working capital changes			
Increase in current assets			
Inventories		986,892	(404,810)
Television program costs		(47,291,589)	(84,665,223)
Trade debts		(34,427,788)	(32,106,297)
Advances - unsecured, considered good		(7,899,668)	(2,649,585)
Deposits and prepayments		(299,419)	1,052,877
Other receivables - unsecured, considered good		(40,987,169)	(1,735,172)
		<u>(129,918,741)</u>	<u>(120,508,210)</u>
(Decrease) / Increase in current liabilities			
Trade and other payables		(74,602,325)	105,665,936
Cash generated from operations		<u>197,626,422</u>	<u>388,453,418</u>

Notes to the Financial Statements

For the year ended June 30, 2011

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits to the Chief Executive, Director and Executives are as follows:

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	14,766,135	-	37,755,131	7,796,124	-	28,995,245
Bonus	23,680,586	-	3,042,926	27,977,132	-	2,449,644
Retirement benefits	9,487,946	-	6,679,005	1,551,734	-	1,700,802
House rent	6,644,755	-	17,129,519	3,508,256	-	13,047,860
Utilities	1,476,626	-	3,673,379	779,612	-	2,899,524
Advisory fee	-	36,368,903	-	-	18,684,000	-
Fuel and conveyance	203,847	619,830	3,473,200	111,901	473,251	2,848,884
	<u>56,259,895</u>	<u>36,988,733</u>	<u>71,753,160</u>	<u>41,724,759</u>	<u>19,157,251</u>	<u>51,941,959</u>
Number	<u>1</u>	<u>2</u>	<u>34</u>	<u>1</u>	<u>2</u>	<u>30</u>

34.1 The Chief Executive, Directors and certain Executives are also provided with free use of company maintained cars in accordance with the Company's policy.

34.2 Aggregate amount charged in the financial statements for fee to four directors was Rs.190,000/- (2010: Rs. 124,000/-).

35. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company includes Jahangir Siddiqui & Company Limited, HUM TV, Inc., M.D. Production (Private) Limited, Eye Entertainment, MD production associated companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amount due from and due to related parties, amount due from executives and remuneration of directors are disclosed in the relevant notes to the financial statements. Other material transactions with related parties are given below:

Relationship	Nature of relationship	Nature of transactions	2011	2010
			Rupees	
Related Party				
MD production	Chief Executive's spouse is owner	Purchase of television programs	<u>38,300,000</u>	<u>81,550,000</u>
M.D. Production (Private) Limited	Chief Executive's spouse is Chief Executive Officer	Purchase of television programs	<u>3,500,000</u>	<u>-</u>
Eye Entertainment	Common director	Payment made during the year	<u>-</u>	<u>54,250</u>
Investment in subsidiary			<u>8,603</u>	<u>-</u>

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policy and processes during the year ended June 30, 2011.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During 2011, the Company's strategy was to maintain leveraged gearing between 32% to 37%. The gearing ratios as at June 30, 2011 and 2010 were as follows:

Notes to the Financial Statements

For the year ended June 30, 2011



	2 0 1 1	2 0 1 0
	----- Rupees -----	
Current portion of long term financing	13,999,997	32,666,664
Liabilities against assets subject to finance lease	7,557,951	10,349,022
Trade and other payables	256,401,164	333,319,994
Accrued mark-up	9,283,954	7,257,804
Short term borrowings	231,370,897	241,370,897
Total debt	518,613,963	624,964,381
Cash and bank balances	(45,421,226)	(137,356,614)
Net debt	<u>473,192,737</u>	<u>487,607,767</u>
Issued, subscribed and paid-up capital	500,000,000	500,000,000
Unappropriated profit	522,657,630	333,855,294
Equity	1,022,657,630	833,855,294
Equity and liabilities	<u>1,495,850,367</u>	<u>1,321,463,061</u>
Gearing ratio	<u>32%</u>	<u>37%</u>

36.2 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on trade debts, loans and advances and long-term deposits. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

36.3 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2 0 1 1	2 0 1 0
	----- Rupees -----	
Trade Debts		
Customers with no defaults in the past one year	299,209,602	162,633,965
Customers with some defaults in past one year which have been fully recovered	26,725,010	11,060,747
	<u>325,934,612</u>	<u>173,694,712</u>
Cash at bank and short-term deposits		
A1+	40,960,036	59,530,500
A1	2,150,479	4,381,905
A2	2,062,172	73,271,945
	<u>45,172,687</u>	<u>137,184,350</u>

Notes to the Financial Statements

For the year ended June 30, 2011

36.4 Liquidity risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended 30 June 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Rupees						
Long term financing	-	-	13,999,997	-	-	13,999,997
Short term borrowings	-	-	231,370,897	-	-	231,370,897
Liabilities against assets subject to finance lease	-	-	4,619,315	2,938,636	-	7,557,951
Trade and other payable	-	85,001,806	171,399,358	-	-	256,401,164
Accrued mark-up	-	9,283,954	-	-	-	9,283,954
	<u>-</u>	<u>94,285,760</u>	<u>421,389,567</u>	<u>2,938,636</u>	<u>-</u>	<u>518,613,963</u>

Year ended 30 June 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Rupees						
Long term financing	-	-	18,666,667	13,999,997	-	32,666,664
Short term borrowings	-	-	241,370,897	-	-	241,370,897
Liabilities against assets subject to finance lease	-	-	6,817,917	3,531,105	-	10,349,022
Trade and other payable	-	78,070,656	255,249,338	-	-	333,319,994
Accrued mark-up	7,257,804	-	-	-	-	7,257,804
	<u>7,257,804</u>	<u>78,070,656</u>	<u>522,104,819</u>	<u>17,531,102</u>	<u>-</u>	<u>624,964,381</u>

36.5 Foreign currency risk management

Foreign currency risk is the risk that the value of financial assets or financial liabilities will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in the foreign currency. The Company's exposure to foreign currency risk is as follows:

	2011	2010
	US Dollars	US Dollars
Trade debts	113,968	143,025
Other receivables - unsecured, considered good	511,995	-
Trade and other payables	(318,100)	(314,980)
Net receivable / (payable)	<u>307,863</u>	<u>(171,955)</u>

The following significant exchange rates have been applied at the reporting dates:

	Rupees	Rupees
Average Exchange Rates	<u>86.13</u>	<u>85.60</u>

Notes to the Financial Statements

For the year ended June 30, 2011



Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before taxation and the Company's equity.

	Change in US dollar rate (%)	Effect on profit ----- Rupees	Effect on equity ----- Rupees
30 June 2011	+10	<u>(2,651,624)</u>	<u>(1,723,556)</u>
	-10	<u>2,651,624</u>	<u>1,723,556</u>
30 June 2010	+10	<u>(2,696,229)</u>	<u>(1,746,044)</u>
	-10	<u>2,696,229</u>	<u>1,746,044</u>

36.6 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. The Company manages these risks through risk management strategies. All the borrowings of the Company are obtained in the functional currency.

Sensitivity analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before taxation:

	Increase / decrease in basis points	Effect on profit before taxation Rupees
30 June 2011	+100	<u>(3,853,860)</u>
	-100	<u>3,853,860</u>
30 June 2010	+100	<u>(2,768,474)</u>
	-100	<u>2,768,474</u>

36.7 Equity price risk

Equity price risk is the risk that the fair value of the future cashflows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As of balance sheet date, the Company is not exposed to such risk.

36.8 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all financial assets and liabilities is considered not significantly different from book value.

Notes to the Financial Statements

For the year ended June 30, 2011

37. DATE OF AUTHORIZATION

These financial statements have been authorised for issue on October 06, 2011 by the Board of Directors of the Company.

38. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET

The Board of Directors in their board meeting held on October 06, 2011 have recommended a final cash dividend of Re. 1/- 10% per ordinary share amounting to Rs.50 million (2010: Rs.Nil) for the year ended June 30, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of the final dividend which will be accounted for in the financial statements for the year ending June 30, 2012.

39. GENERAL

39.1 There were no material reclassifications that could affect the financial statements materially.

39.2 Figures have been rounded off to the nearest Rupee.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURaid QURESHI
Chief Executive

Consolidated Financial Statements

Auditor's Report To The Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **HUM Network Limited (formerly Eye Television Network Limited)** and its subsidiary company as at **30 June 2011** and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of **HUM Network Limited (formerly Eye Television Network Limited)**. The financial statements of **HUM TV, Inc.** were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of **HUM Network Limited (formerly Eye Television Network Limited)** and its subsidiary company as at **30 June 2011** and the results of their operations for the year then ended.

October 06, 2011
Karachi

Sd/-
ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

Consolidated Balance Sheet

As at June 30, 2011



	Note	2011 (Rupees)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	5	199,568,794
Goodwill	4	1,109,271
Intangible assets	6	11,737,034
Long term deposits and prepayments	7	21,078,071
Television program costs	8	309,054,278
Deferred tax asset	9	16,320,930
		<u>558,868,378</u>
CURRENT ASSETS		
Inventories		252,652
Current portion of television program costs	8	396,767,617
Trade debts	10	468,324,289
Advances - unsecured, considered good	11	25,755,656
Deposits and prepayments	12	6,101,556
Accrued profit		227,964
Other receivables - unsecured, considered good		3,216,829
Taxation - net		47,171,235
Cash and bank balances	13	89,153,544
		<u>1,036,971,342</u>
TOTAL ASSETS		<u><u>1,595,839,720</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised capital		700,000,000
70,000,000 ordinary shares of Rs.10/- each		<u>700,000,000</u>
Issued, subscribed and paid-up capital	14	500,000,000
Reserve		521,695,213
		<u>1,021,695,213</u>
NON-CURRENT LIABILITIES		
Long term financing	15	-
Liabilities against assets subject to finance lease	16	2,938,636
Deferred liabilities	17	52,708,977
		<u>55,647,613</u>
CURRENT LIABILITIES		
Trade and other payables	18	259,222,731
Accrued mark-up	19	9,283,954
Short term borrowings	20	231,370,897
Current portion of:		
- long term financing	15	13,999,997
- liabilities against assets subject to finance lease	16	4,619,315
		<u>518,496,894</u>
COMMITMENTS	21	
TOTAL EQUITY AND LIABILITIES		<u><u>1,595,839,720</u></u>

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAID QURESHI
Chief Executive

Consolidated Profit and Loss Account

For the year ended June 30, 2011

	Note	2011 (Rupees)
Revenue – net	22	1,436,505,007
Cost of production	23	(664,837,084)
Transmission cost		(108,923,817)
		(773,760,901)
Gross profit		662,744,106
Distribution costs	24	(161,642,712)
Administrative expenses	25	(191,078,072)
		310,023,322
Other operating income	26	32,041,451
		342,064,773
Finance costs	27	(38,768,670)
Other charges	28	(7,005,008)
Profit before taxation		296,291,095
Taxation	29	(108,432,880)
Profit after taxation		187,858,215
Earnings per ordinary share	30	3.76

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAID QURESHI
Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2011



	2011 (Rupees)
Profit after taxation	187,858,215
Other comprehensive income - net of taxation	
Exchange loss on translation of foreign subsidiary	(18,296)
Total comprehensive income for the year - net of taxation	<u>187,839,919</u>

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAJD QURESHI
Chief Executive

Consolidated Cash Flow Statement

For the year ended June 30, 2011

	Note	2011 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	31	243,034,135
Taxes paid		(116,789,963)
Finance costs paid		(36,742,520)
Profit received on deposit accounts		7,332,737
Long term deposits and prepayments		1,080,381
Gratuity paid		(1,722,485)
Television program costs		(72,976,440)
Net cash generated from operating activities		<u>23,215,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(38,733,859)
Goodwill arising on purchase of subsidiary before deferred tax		(1,683,997)
Proceeds from the disposal of operating fixed assets		10,363,055
Addition to intangible assets		(3,587,550)
Net cash used in investing activities		<u>(33,642,351)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing		(18,666,667)
Repayment of liabilities against assets subject to finance lease		(7,040,071)
Dividend paid		(2,069,826)
Net cash used in financing activities		<u>(27,776,564)</u>
Net decrease in cash and cash equivalents		(38,203,070)
Cash and cash equivalents at the beginning of the year		(104,014,283)
Cash and cash equivalents at the end of the year		<u><u>(142,217,353)</u></u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	13	89,153,544
Short term borrowings	20	(231,370,897)
		<u><u>(142,217,353)</u></u>

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAIQ QURESHI
Chief Executive

Consolidated Statement of Changes in Equity

For the year ended June 30, 2011



	Issued, subscribed and paid-up capital	Reserves			Total
		Foreign exchange translation reserve	Unappropriated profit	Sub-total	
-----Rupees-----					
Balance as at June 30, 2010	500,000,000	-	333,855,294	333,855,294	833,855,294
Profit for the year	-	-	187,858,215	187,858,215	187,858,215
Other comprehensive income	-	(18,296)	-	(18,296)	(18,296)
Total comprehensive income	-	(18,296)	187,858,215	187,839,919	187,839,919
Balance as at June 30, 2011	500,000,000	(18,296)	521,713,509	521,695,213	1,021,695,213

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAID QURESHI
Chief Executive

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

1. CORPORATE INFORMATION AND OPERATIONS

The 'Group' consists of

Holding Company

- 1.1 Hum Network Limited (Formerly Eye Television Network Limited) (the Holding Company) was incorporated in Pakistan as a public limited Company under the Companies Ordinance, 1984 (the Ordinance). The shares of the Holding Company are quoted on Karachi Stock Exchange. The registered office of the Holding Company is situated at Plot No. 10/11, Hassan Ali Street, Off. I.I. Chundrigar Road, Karachi, Pakistan.
- 1.2 The Holding Company's principal business is to launch transnational satellite channels and aims at presenting a wide variety of cultural heritage. Its core areas of operation are production, advertisement, entertainment and media marketing. It covers a wide variety of programmes with respect to information, entertainment, news, education, health, food, music and society.

Subsidiary Company

HUM TV, Inc. (the subsidiary company), having registered office at 36-01, 37th Avenue, Long Island City, New York, 11106, has been established with the purpose of providing entertainment programmes to the South Asian community by increasing presence in the United States of America (USA) and Canada. The subsidiary company will also serve as a platform for the Holding Company to explore avenues for greater distribution of the Holding Company brands in USA and Canada and will establish relations with advertisers, as well as develop US-based media materials, such as dramas, documentaries and other entertainment shows and events.

The subsidiary company is a wholly owned subsidiary of the Holding Company with effect from April 01, 2011.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance, provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.1 New and amended standards and interpretations

The Group has adopted the following new and amended IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective during the year:

IFRS 2 – Group Cash-settled Share-based Payment Arrangements

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by International Accounting Standards Board (IASB)

Issued in 2009

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 7 – Statement of Cash flows Presentation of Financial Statements

IAS 17 – Leases

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS 3 – Business Combinations

IAS 27 – Consolidated and Separate Financial Statements

The adoption of the above standards, amendments/ improvements and interpretations did not have any material effect on the consolidated financial statements.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



2.2 Standards, amendments and interpretation to approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, amendments or interpretation:

Standards or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012

Standards or interpretation	Effective date (accounting periods beginning on or after)
IFRS 7 – Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 – Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 – Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Group expects that the adoption of the above revisions, amendments and interpretation of the standards will not have any material effect on the consolidated financial statements in the period of initial application, except certain additional disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Group expects that such improvements to the standards will not have any material impact on the consolidated financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiary (the Group). The financial statements of the subsidiary are prepared for the same reporting period as of the Holding Company, using consistent accounting policies.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

All material intra-group balances, transactions income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, record in equity
- Recognises the fair value of any consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3.3 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

Property, plant and equipment and intangible assets

The Group reviews appropriateness of the rate of depreciation / amortisation, useful life and residual value used in the calculation of depreciation / amortisation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Group uses the technical resources available with the Group. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment and intangible assets, with corresponding effects on the depreciation / amortisation charge and impairment.

Staff retirement benefits

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and other factors. Due to long term nature of these plans, such estimates are subject to significant uncertainty. Significant actuarial assumptions have been adopted as disclosed in note 3.18 to the consolidated financial statements.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



Income taxes

In making the estimate for income tax payable by the Group, the Group takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Trade debts

The Group reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

Television program costs

Estimates of total revenues can change significantly due to a variety of factors, including advertising rates and the level of market acceptance of the production. Accordingly, revenue estimates are reviewed periodically and amortisation is adjusted, if necessary. Such adjustments could have a material effect on results of operations in future periods.

3.4 Fixed assets and depreciation

3.4.1 Property, plant and equipment

Owned

Operating property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to profit and loss account using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in Note 5.1. Depreciation on additions is charged from the month in which the asset is available to use and no depreciation is charged for the month in which asset was disposed off.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Group.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss account in the year the asset is derecognised.

The assets' residual values, useful lives and method of depreciation are revised, and adjusted if appropriate, at each balance sheet date.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

Leased

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Assets acquired under finance lease are depreciated using the same basis as for owned assets.

Income on sale and lease back arrangement is deferred and amortised over the lease term.

3.4.2 Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any. It consists of expenditures incurred and advances made in respect of specific assets during the construction period. These are transferred to specific assets as and when assets are available for use.

3.5 Business combination and goodwill

Business combinations are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit and loss account in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss account when the asset is derecognised.

3.7 Television program costs

Television program costs represent unamortised cost of completed television programs and television programs in production. These costs include direct production costs, cost of inventory consumed, production overheads and are stated at the lower of cost, less accumulated amortisation and net realisable value (NRV). NRV is estimated by the management on the basis of future revenue generation

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



capacity of the program. Where the recoverable amount is less than its carrying amount, the program cost is written down to its recoverable amount and the impairment loss is recognised as an expense in the profit and loss account in the year in which it arises. Acquired television program licences and rights are recorded when the licence period begins and the program is available for use. Marketing, distribution and general and administrative costs are expensed as incurred.

Television program costs and acquired television program licenses and rights are charged to expense based on the ratio of the total revenues earned till to date to gross revenues from all sources including estimated revenues less cost expensed in prior years on an individual production basis.

3.8 Inventories

Raw tapes cassettes, VCDs, DVDs and other materials and supplies are valued on average cost basis and are stated at the lower of cost and NRV.

3.9 Trade debts

Trade debts originated by the Group are recognised and carried at original invoice amounts less an allowance for doubtful debts. Provision for doubtful debts is based on the management's assessment of customers' outstanding balances and credit worthiness. Bad debts are written-off when identified.

3.10 Loans, advances and other receivables

These are stated at cost less provision for doubtful balance, if any.

3.11 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or on one percent of turnover under Section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred tax is recognised using the balance sheet liability method, on all major temporary differences arising at the balance sheet date between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current and deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements is shown in the current liabilities.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

3.13 Long term and short term borrowings

These are recorded at the amount of proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount remaining unpaid.

3.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.16 Transactions with related parties

The Group enters into transactions with related parties on arm's length basis. These prices are determined in accordance with the methods prescribed in the Ordinance.

3.17 Revenue

Advertisement revenue gross of agency commission is recognised when the related advertisement or commercial appears before the public i.e., on telecast.

Revenue from barter transactions are considered realized when goods or services are exchanged, and the amount of the proceeds and cost, as well as economic benefits, can be clearly measured. Revenue is recognized at the market value of the bartered item or service and may be adjusted with an additional cash payments / receipts.

Production revenue is recognised when production work is completed.

Subscription fees are earned over the period the services are provided. Subscription revenue arises from the monthly billing to subscribers for services provided by the Group. Revenue is recognised in the month the service is rendered.

Profit on bank deposits is accounted for on accrual basis.

3.18 Staff retirement benefits

An unfunded gratuity scheme is operated for permanent employees completing prescribed period of service in accordance with service rules of the Group. Provision for gratuity under the scheme is made annually on the basis of actuarial valuation using "Projected Unit Credit Actuarial Cost Method". The latest actuarial valuation was carried out as of June 30, 2011.

Actuarial gains and losses in excess of 10 percent of the present value of the defined benefit obligations are recognised and spread over expected average remaining service lives of employees.

The principal actuarial assumptions used for the purpose of the valuation are:

	2011 %
Discount rate	14.5
Expected rate of salary increases	14.5

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



3.19 Financial instruments

Financial assets and liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

3.20 Off setting of financial assets and liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet if the Group has legally enforceable right to set-off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

3.21 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to profit and loss account currently.

The assets and liabilities of foreign subsidiary are translated to Pak rupees at exchange rates prevailing at the balance sheet date. The income and expenses of foreign subsidiary are translated at average rate of exchange for the year. Translation gains and losses arising on the translation of net investment in foreign subsidiary are taken to equity under "Foreign Exchange Translation Reserve" and on disposal are recognised in the profit and loss account.

3.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of assets and incurred during the period in connection with the activities necessary to prepare the asset for its intended use are capitalized as a part of the cost of related asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3.23 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the consolidated financial statements in the period in which these are approved.

3.24 Impairment

3.24.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

3.24.2 Non-financial assets

The carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

3.25 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

4. BUSINESS COMBINATION

During the year, in accordance with the Holding Company's Board of Directors' resolution and a special resolution passed by the shareholders of the Holding Company in their Extra Ordinary General Meeting held as on September 30, 2010, the Holding Company acquired 10,000 shares of HUM TV, Inc. on April 01, 2011 resulting in holding of 100% of the paid up capital of the said company.

The initial accounting of business combination involves identifying and determining the fair value to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination.

The fair value of the identifiable assets and liabilities of HUM TV, Inc. as at the date of acquisition approximate their carrying amounts. Details of net assets are as follows:

	Acquiree's carrying amount		Acquiree's carrying amount	
	----- (US Dollars) -----	Fair value	----- (Rupees) -----	Fair value
ASSETS				
Cash and cash equivalents	4,343	4,343	367,418	367,418
Deferred tax assets	6,643	6,643	561,998	561,998
	<u>10,986</u>	<u>10,986</u>	<u>929,416</u>	<u>929,416</u>
LIABILITIES				
Accrued liabilities	3,900	3,900	329,940	329,940
Other payable	19,880	19,880	1,681,848	1,681,848
	<u>23,780</u>	<u>23,780</u>	<u>2,011,788</u>	<u>2,011,788</u>
NET ASSETS				
	<u>(12,794)</u>	<u>(12,794)</u>	<u>(1,082,372)</u>	<u>(1,082,372)</u>
Consideration paid against acquisition				(8,460)
Goodwill arising on acquisition				<u>(1,090,832)</u>
Exchange difference on translation of foreign currency goodwill at closing rate				(18,439)
Goodwill				<u>(1,109,271)</u>

Provisional figures based on latest available information have been considered. The management expects to finalize the determination of valuation of assets acquired within one year from the acquisition date, in compliance with the time frame allowed in IFRS 3.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Operating fixed assets

	2011						Book value as at June 30, 2011	Depreciation Rate % per annum
	Cost			Accumulated depreciation				
	As at July 1, 2010	Additions/ transfers/ (Deletion)	As at June 30, 2011	As at July 1, 2010	Charge for the year (Note 5.3)	As at June 30, 2011		
	----- Rupees -----							
Owned								
Leasehold land	63,257,901	-	63,257,901	4,418,353	1,327,721	5,746,074	2.04 - 2.13	
Building on leasehold land	33,675,479	145,400	33,820,879	10,556,199	3,379,665	13,935,864	10	
Leasehold improvement	23,360,025	7,152,147	30,512,172	17,261,316	5,322,687	22,584,003	33	
Furniture and fittings	5,223,969	184,972	5,408,941	1,942,685	530,979	2,473,664	10	
Vehicles	28,503,280	9,107,240	29,529,601	10,955,775	8,069,613	11,225,780	33	
		(8,080,919)			(7,799,608)			
Audio visual equipment	84,383,877	13,783,015	98,166,892	53,456,100	9,111,722	62,567,822	25	
Upinking equipment	34,411,616	1,500,625	35,912,241	9,768,411	3,220,847	12,989,258	10	
Office equipment	24,709,713	3,810,209	28,519,922	11,219,201	3,879,018	15,098,219	15	
Computers	32,952,108	5,326,751	35,499,813	19,744,786	8,255,791	25,269,600	33	
		(2,779,046)			(2,730,977)			
	<u>330,477,968</u>	<u>41,010,359</u>	<u>360,628,362</u>	<u>139,322,826</u>	<u>43,098,043</u>	<u>171,890,284</u>	<u>188,738,078</u>	
		(10,859,965)			(10,859,965)			
Leased								
Vehicles	23,620,024	4,249,000	22,764,732	8,510,518	6,996,503	11,934,016	33	
		(5,104,292)			(3,573,005)			
2011	<u>354,097,992</u>	<u>45,259,359</u>	<u>383,393,094</u>	<u>147,833,344</u>	<u>50,094,546</u>	<u>183,824,300</u>	<u>199,568,794</u>	
		(15,964,257)			(14,432,970)			

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



5.2 Disposal of operating fixed assets:

	Cost	Accumulated depreciation	Written down value Rupees	Sale price	Gain	Mode of disposal	Particulars of buyer
Vehicles							
Toyota Corolla	875,000	875,000	-	872,220	872,220	Tender	Mr. Zahid Qadri
Toyota Corolla	1,050,000	1,050,000	-	831,800	831,800	Negotiation	Mr. Syed Shabir Ali - Employee
Honda City	795,000	795,000	-	728,220	728,220	Tender	Mr. Zahid Qadri
Suzuki Cultus	550,000	550,000	-	491,800	491,800	Negotiation	Mr. Arif Hussain - Employee
Suzuki Cultus	550,000	550,000	-	470,999	470,999	Negotiation	Mr. Salahuddin Akbar - Employee
Suzuki Cultus	636,097	445,268	190,829	688,220	497,391	Tender	Mr. Zahid Qadri
Daihatsu Cuore	403,000	403,000	-	473,220	473,220	Tender	Mr. Zahid Qadri
Daihatsu Cuore	451,000	315,700	135,300	552,000	416,700	Negotiation	Mr. Irfan Qureshi - Employee
Suzuki Changan	350,000	350,000	-	312,000	312,000	Negotiation	Mr. M. Asif Qureshi - Employee
Suzuki Bolan	367,000	367,000	-	432,000	432,000	Negotiation	Mr. Irfan Qureshi - Employee
Suzuki Baleno	739,000	739,000	-	200,000	200,000	Negotiation	Mr. Razia Arif - Employee
Honda City	860,622	860,622	-	715,000	715,000	Tender	Mr. Azhar Hussain
Honda City	853,500	597,450	256,050	256,050	-	Employee Scheme	Mr. Naufil Aftab - Employee
Daihatsu Cuore	451,000	315,700	135,300	135,300	-	Employee Scheme	Mr. Abbas Hussain - Employee
Honda City	905,200	905,200	-	271,560	271,560	Negotiation	Mr. Jaffer Ali - Employee
Toyota Mark X	2,279,792	1,505,373	774,419	2,587,142	1,812,723	Negotiation	Mr. Nasir Tehrani - Employee
Daihatsu Cuore	479,000	335,300	143,700	143,700	-	Employee Scheme	Mr. Noman Nabi - Employee
Suzuki Cultus	590,000	413,000	177,000	177,000	-	Employee Scheme	Mr. M. Yousuf Qazi - Employee

Computers

Items having book value

upto Rs. 50,000	2,779,046	2,730,977	48,069	24,824	(23,245)	Tender	Various
	15,964,257	14,103,590	1,860,667	10,363,055	8,502,388		

5.3 Depreciation for the year has been allocated as follows:

Cost of production	23	29,355,791
Distribution costs	24	6,434,860
Administrative expenses	25	14,303,895
		<u>50,094,546</u>

5.4 Change in accounting estimate

During the year effective July 01, 2010, the Group has reviewed the useful life of vehicles which resulted in revision of depreciation rate from 20% to 33%.

In the opinion of the management, the revision would result in a more accurate reflection of depreciation charge over the useful life of the related asset. The above change has been accounted for as a change in accounting estimate in accordance with the requirements of IAS 8 (Accounting policies, Changes in accounting Estimates and Errors). Had the estimate not been revised the depreciation charge would have been lower and profit before tax for the year also would have been higher by Rs. 5.982 million and carrying value of operating fixed assets would have been higher by same amount.

6. INTANGIBLE ASSETS

Description	2011						Book value as at June 30, 2011	Amortisation Rate % per annum
	Cost			Accumulated amortisation				
	As at July 1, 2010	Additions	As at June 30, 2011	As at July 1, 2010	for the year (Note 6.1)	As at June 30, 2011		
	Rupees							
Computer softwares	6,786,992	3,187,550	9,974,542	4,386,329	1,430,509	5,816,838	4,157,704	20 - 33
License fee	10,500,000	-	10,500,000	2,606,730	700,350	3,307,080	7,192,920	6.67
Trade Mark	500,000	400,000	900,000	500,000	13,590	513,590	386,410	20
2011	<u>17,786,992</u>	<u>3,587,550</u>	<u>21,374,542</u>	<u>7,493,059</u>	<u>2,144,449</u>	<u>9,637,508</u>	<u>11,737,034</u>	

6.1 Amortisation for the year has been allocated as follows:

Cost of production	23	1,192,073
Administrative expenses	25	952,376
		<u>2,144,449</u>

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

	Note	2 0 1 1 (Rupees)
7. LONG TERM DEPOSITS AND PREPAYMENTS		
Security deposits		
-Lease		465,350
-Rent		1,055,000
-Trade	7.1	19,285,306
-Others		272,415
		<u>21,078,071</u>
7.1 This includes trade deposit of Rs. 13.9 million given to Asia Satellite for uplinking transmission.		
8. TELEVISION PROGRAM COSTS		
Unreleased / released less amortisation In production		688,558,450 <u>17,263,445</u>
		705,821,895
Less: Current portion of television program costs		<u>396,767,617</u>
		<u>309,054,278</u>
9. DEFERRED TAX ASSETS		
Deductible temporary differences		
Provision for staff retirement benefits		18,448,142
Provision for doubtful debts		11,165,277
Tax losses		1,067,289
Others		5,894,667
		<u>36,575,375</u>
Taxable temporary differences		
Accelerated tax depreciation / amortisation allowances		(20,174,658)
Others		(79,787)
		<u>(20,254,445)</u>
		<u>16,320,930</u>
10. TRADE DEBTS - unsecured		
Considered good		468,324,289
Considered doubtful		31,900,792
		<u>500,225,081</u>
Less: Provision for doubtful debts	10.1	31,900,792
		<u>468,324,289</u>
10.1 The movement in provision for doubtful debts is as follows:		
Balance as at the beginning of the year		50,071,856
Reversal of provision made during the year	24	(3,950,230)
Written off during the year		(14,220,834)
Balance as at the end of the year		<u>31,900,792</u>
The aging of trade debts as at June 30 is as follows:		
Neither past due nor impaired		325,934,612
Past due but not impaired		
- 60 to 90 days		105,848,816
- over 90 day		36,540,861
		<u>468,324,289</u>
11. ADVANCES - unsecured, considered good		
Advances to:		
producers		19,141,773
suppliers		6,211,897
employees' against salary		182,208
executives against salary		219,778
		<u>25,755,656</u>
12. DEPOSITS AND PREPAYMENTS		
Deposits	12.1	3,241,200
Prepayments		2,860,356
		<u>6,101,556</u>
12.1 Includes trade deposits of Rs.1.4 million given to Pakistan Electronic Media Regulatory Authority (PEMRA).		

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



	Note	2011 (Rupees)
13. CASH AND BANK BALANCES		
Cash in hand		248,539
Cash at bank		
- in local currency		
- in current accounts		7,712,848
- in deposit accounts	13.1	37,459,839
		45,172,687
- in foreign currency		
- in current accounts		43,732,318
		<u>88,905,005</u>
		<u>89,153,544</u>

13.1 These carry profit at the rates ranging from 9.5 to 11 percent per annum.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011		
No. of shares		
<u>50,000,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>500,000,000</u>

14.1 Includes 7,000,000 shares representing 14 percent holding by Jahangir Siddiqui & Company Limited, an associated company.

	Note	2011 (Rupees)
15. LONG TERM FINANCING - secured		
Long term financing	15.1	13,999,997
Less: Current portion		<u>13,999,997</u>
		<u>-</u>

15.1 Represents term finance facility of Rs.70million from a commercial bank. It carries a mark-up rate of six months' KIBOR plus 2 percent per annum and is repayable in 15 quarterly installments by December 2011 with a grace period of five quarters. It is secured by way of first charge over the Holding Company's leasehold land and building.

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011	
	Minimum lease payments	Present value
	----- Rupees -----	
Not later than one year	5,374,995	4,619,315
Later than one year and not later than five years	3,450,475	2,938,636
Total minimum lease payments	8,825,470	7,557,951
Less: Financial charges allocated to future periods	1,267,519	-
Present value of minimum lease payments	7,557,951	7,557,951
Less: Current portion shown under current liabilities	4,619,315	4,619,315
	<u>2,938,636</u>	<u>2,938,636</u>

16.1 The value of minimum lease payments has been discounted at implicit rates ranging from 12.8 to 21 percent per annum to arrive at their present values.

16.2 The above represent finance leases entered into by the Holding Company with local banks for vehicles. Total lease rentals due under various lease agreements amounting to Rs. 8.825 million and are payable in monthly installments latest by 2014. Overdue rental payments are subject to an additional charge of 0.1 percent per day for the number of days the rentals remain overdue. Taxes, repairs, replacement and insurance costs are to be borne by the the Holding Company. In case of termination of agreement, the Holding Company has to pay the entire rent for the unexpired period. The leases have floating rate of 3 months KIBOR plus 2.15 percent per annum with floor of Nil percent per annum.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

	Note	2 0 1 1 (Rupees)
17. DEFERRED LIABILITIES		
Staff gratuity	17.1	<u>52,708,977</u>
17.1 Staff gratuity		
17.1.1 Movement in liability		
Opening balance		27,716,265
Charge for the year	17.1.2	26,715,197
Payment during the year		<u>(1,722,485)</u>
Closing balance		<u>52,708,977</u>
17.1.2 Charge for the year		
Current service cost		10,236,531
Interest cost		5,610,854
Recognition of Unrecognized Past Service Cost		8,343,241
Amortisation of Past Service Cost		<u>2,524,571</u>
		<u>26,715,197</u>
17.1.3 Movement in defined benefit obligation		
Present value of defined benefit obligation at beginning of the year		27,716,265
Service cost		10,236,531
Interest cost		5,610,854
Benefits paid		<u>(1,722,485)</u>
Recognition of Unrecognized Past Service Cost		8,343,241
Amortisation of Past Service Cost		<u>2,524,571</u>
		<u>52,708,977</u>
18. TRADE AND OTHER PAYABLES		
Creditors		160,370,273
Accrued liabilities		83,650,818
Withholding tax payable		2,641,438
Sales tax payable		195,165
Advances from customers		1,179,618
Workers' welfare fund		6,224,639
Unclaimed and unpaid dividend		2,380,121
Others		2,580,659
		<u>259,222,731</u>
19. ACCRUED MARK-UP		
Long term finance		581,894
Running finance utilized under mark-up arrangement		<u>8,702,060</u>
		<u>9,283,954</u>

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



20. SHORT TERM BORROWINGS - secured
Running finance under mark-up arrangement

The financing facility available from a commercial bank as at June 30, 2011 amounted to Rs.250 million of which Rs. 18.629million remained unutilized at the year end. This facility is secured by way of Pari Passu charge on all current assets of the Holding Company and carry mark-up rate at three months' KIBOR + 1.25% per annum and the facility is maturing within twelve months.

21. COMMITMENTS

Purchase of television programs commitments as at June 30, 2011 amounted to Rs.141,723,780/-.

	Note	2011 (Rupees)
22. REVENUE – net		
Advertisement revenue		2,187,212,817
Less: Agency commission		259,483,191
Sales tax		274,219,413
Discount to customers		264,691,027
		<u>798,393,631</u>
		1,388,819,186
Subscription income		44,987,381
Production revenue		2,698,440
		<u>1,436,505,007</u>
23. COST OF PRODUCTION		
Cost of outsourced programs		449,489,013
Cost of in-house programs		92,409,232
Cost of inventory consumed		2,868,305
Salaries, wages and benefits	23.1	145,894,607
Depreciation	5.3	29,355,791
Traveling and conveyance		15,573,105
Utilities		13,465,570
Rent, rates and taxes		6,460,401
Backup storage charges		2,510,918
Insurance		3,483,224
Repair and maintenance		8,903,188
Fee and subscription		6,816,849
Communication		4,847,839
Security charges		1,387,534
Amortisation of intangible assets	6.1	1,192,073
Printing and stationery		447,463
		<u>785,105,112</u>
In production television programs - opening		13,900,802
In production television programs - closing	8	<u>(17,263,445)</u>
		781,742,469
Released / unreleased programs - opening		571,653,065
Released / unreleased programs - closing	8	<u>(688,558,450)</u>
		<u>664,837,084</u>

23.1 These include Rs. 11,744,989/- in respect of staff retirement benefits.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

	Note	2 0 1 1 (Rupees)
24. DISTRIBUTION COSTS		
Advertisement and promotion		82,701,606
Salaries, wages and benefits	24.1	52,521,773
Reversal of provision for doubtful debts	10.1	(3,950,230)
Traveling and conveyance		13,778,626
Rent, rates and taxes		1,599,386
Utilities		1,863,196
Depreciation	5.3	6,434,860
Communication		1,877,647
Insurance		1,119,679
Repair and maintenance		2,260,945
Fees and subscription		812,877
Security charges		282,964
Printing and stationery		339,383
		<u>161,642,712</u>

24.1 These include Rs. 3,666,145/- in respect of staff retirement benefits.

25. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	25.1	97,647,542
Advisory fee	25.2	36,368,903
Depreciation	5.3	14,303,895
Repair and maintenance		5,862,634
Communication		3,910,149
Traveling and conveyance		8,045,334
Fee and subscription		3,962,966
Utilities		3,877,107
Legal and professional charges		2,361,316
Printing, stationery and periodicals		2,085,553
Rent, rates and taxes		7,562,536
Insurance		1,815,242
Amortisation of intangible assets	6.1	952,376
Auditors' remuneration	25.3	1,998,034
Security charges		239,485
Donations	25.4	85,000
		<u>191,078,072</u>

25.1 These include Rs. 11,304,063/- in respect of staff retirement benefits

25.2 Represents amount paid / payable to directors of the Holding Company for advisory services rendered in terms of their advisory agreements duly approved by the Board of Directors.

	2 0 1 1 (Rupees)
25.3 Auditors' remuneration	
Audit fee	1,358,602
Half yearly review and other certifications	375,402
Tax services	75,000
Out of pocket expenses	189,030
	<u>1,998,034</u>

25.4 The chief executive, directors and their spouses do not have any interest in the donee funds.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



	Note	2011 (Rupees)
26. OTHER OPERATING INCOME		
Income from financial assets		7,075,173
Profit on deposit accounts		
Income from non financial assets		8,502,388
Gain on disposal of operating fixed assets		16,463,890
Magazine, DVD sale and others		24,966,278
		<u>32,041,451</u>
27. FINANCE COSTS		
Mark-up on long term finance		3,167,365
Mark-up on short term running finance		34,418,708
Finance lease charges		952,526
Bank charges		230,071
		<u>38,768,670</u>
28. OTHER CHARGES		
Workers' welfare fund		6,224,639
Net exchange loss		780,369
		<u>7,005,008</u>
29. TAXATION		
Current	29.1	114,109,070
Prior		(2,620,742)
		<u>111,488,328</u>
Deferred		(3,055,448)
		<u>108,432,880</u>
29.1 It includes flood surcharge amounting to Rs. Rs. 4,784,316/-.		
Tax charge reconciliation		2011 %
Applicable tax rate as per Income Tax Ordinance, 2001		35.00
Tax effect of amounts that are:		
Not deductible for tax purposes		1.90
Effect of deferred tax charge		(1.03)
Effect of prior year tax		(0.88)
Effect of flood surcharge		1.61
		<u>1.60</u>
Average effective tax rate charged to profit and loss account		<u>36.60</u>
		2011
30. EARNINGS PER SHARE – basic and diluted		
Profit after taxation	Rupees	<u>187,858,215</u>
Weighted average number of ordinary shares outstanding during the year		<u>50,000,000</u>
Earnings per share	Rupees	<u>3.76</u>
30.1 Basic earning per share has no dilution effect.		

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

	Note	2 0 1 1 (Rupees)
31. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		296,291,095
Adjustments for :		
Depreciation		50,094,546
Amortisation of intangible assets		2,144,449
Finance costs		38,768,670
Exchange difference on translation of foreign subsidiary		(18,296)
Profit on deposit accounts		(7,075,173)
Gain on disposal of operating fixed assets		(8,502,388)
Movement in provisions		28,989,606
		<u>104,401,414</u>
Operating profit before working capital changes		400,692,509
Working capital changes		
Increase in current assets		
Inventories		986,892
Television program costs		(47,291,589)
Trade debts		(34,427,788)
Advances - unsecured, considered good		(7,899,668)
Deposits and prepayments		(299,419)
Other receivables - unsecured, considered good		3,053,956
		<u>(85,877,616)</u>
(Decrease) / Increase in current liabilities		
Trade and other payables		(71,780,758)
Cash generated from operations		<u><u>243,034,135</u></u>

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the consolidated financial statements for remuneration, including all benefits to the Chief Executive, Director and Executives of the Holding Company are as follows:

	2011		
	Chief Executive	Directors	Executives
Managerial remuneration	14,766,135	-	37,755,131
Bonus	24,475,496	-	3,042,926
Retirement benefits	9,487,946	-	6,679,005
House rent	6,644,755	-	17,129,519
Utilities	1,476,626	-	3,673,379
Advisory fee	-	36,368,903	-
Fuel and conveyance	203,847	619,830	3,473,200
	<u>57,054,805</u>	<u>36,988,733</u>	<u>71,753,160</u>
Number	<u>1</u>	<u>2</u>	<u>34</u>

32.1 The Chief Executive, Directors and certain Executives are also provided with free use of group maintained cars in accordance with the Group's policy.

32.2 Aggregate amount charged in the consolidated financial statements for fee to four directors was Rs. 190,000/-.

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



33. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group includes Jahangir Siddiqui & Company Limited, M.D. Production (Private) Limited, Eye Entertainment, MD production associated companies, directors and executives. The Group in the normal course of business carries out transactions with various related parties. Amount due from and due to related parties, amount due from executives and remuneration of directors are disclosed in the relevant notes to the consolidated financial statements. Other material transactions with related parties are given below:

Relationship	Nature of relationship	Nature of transactions	2011 (Rupees)
Related Party			
MD production	Chief Executive's spouse is owner	Purchase of television programs	38,300,000
M.D. Production (Private) Limited	Chief Executive's spouse is Chief Executive Officer	Purchase of television programs	3,500,000
Eye Entertainment	Common director	Payment made during the year	-

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.1 Capital risk management

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policy and processes during the year ended June 30, 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During 2011, the Group's strategy was to maintain leveraged gearing between 30% to 37%. The gearing ratios as at June 30, 2011 was as follows:

	2011 (Rupees)
Current portion of long term financing	13,999,997
Liabilities against assets subject to finance lease	7,557,951
Trade and other payables	259,222,731
Accrued mark-up	9,283,954
Short term borrowings	231,370,897
Total debt	521,435,530
Cash and bank balances	(89,153,544)
Net debt	432,281,986
Issued, subscribed and paid-up capital	500,000,000
Unappropriated profit	521,695,213
Equity	1,021,695,213
Equity and liabilities	1,453,977,199
Gearing ratio	30%

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

34.2 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk on trade debts, loans and advances and long-term deposits. The Group seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

34.3 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2 0 1 1 (Rupees)
Trade Debts	
Customers with no defaults in the past one year	299,209,602
Customers with some defaults in past one year which have been fully recovered	<u>26,725,010</u>
	<u>325,934,612</u>
Cash at bank and short-term deposits	
A1+	40,960,036
A+	43,732,318
A1	2,150,479
A2	<u>2,062,172</u>
	<u>88,905,005</u>

34.4 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Group's financial liabilities at the following reporting dates:

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011



Year ended 30 June 2011	On demand	Less than 3 months	3 to 12 months	Rupees		Total
				1 to 5 years	> 5 years	
Long term financing	-	-	13,999,997	-	-	13,999,997
Short term borrowings	-	-	231,370,897	-	-	231,370,897
Liabilities against assets subject to finance lease	-	-	4,619,315	2,938,636	-	7,557,951
Trade and other payables	-	86,292,256	172,930,475	-	-	259,222,731
Accrued mark-up	-	9,283,954	-	-	-	9,283,954
	-	<u>95,576,210</u>	<u>422,920,684</u>	<u>2,938,636</u>	-	<u>521,435,530</u>

34.5 Foreign currency risk management

Foreign currency risk is the risk that the value of financial assets or financial liabilities will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in the foreign currency. The Group's exposure to foreign currency risk is as follows:

	2011 (US Dollars)
Trade and other payables	318,100
Trade debts	(113,968)
Other receivable	<u>(511,995)</u>
Net payable	<u>(307,863)</u>

The following significant exchange rates have been applied at the reporting dates:

	(Rupees)
Average Exchange Rates	<u>86.13</u>

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before taxation and the Group's equity.

30 June 2011	Change in US dollar rate (%)	Effect on	
		profit	equity
		----- Rupees -----	
	+10	<u>2,651,624</u>	<u>1,723,556</u>
	-10	<u>(2,651,624)</u>	<u>(1,723,556)</u>

34.6 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Group's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. The Group manages these risks through risk management strategies. All the borrowings of the Group are obtained in the functional currency.

Sensitivity analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before taxation:

Consolidated Notes to the Financial Statements

For the year ended June 30, 2011

	Increase / decrease in basis points	Effect on profit before taxation Rupees
30 June 2011	+100	<u>(3,853,860)</u>
	-100	<u>3,853,860</u>

34.7 Equity price risk

Equity price risk is the risk that the fair value of the future cashflows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As of balance sheet date, the Group is not exposed to such risk.

34.8 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all financial assets and liabilities is considered not significantly different from book value.

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35. DATE OF AUTHORIZATION

These consolidated financial statements have been authorised for issue on October 06, 2011 by the Board of Directors of the Holding Company.

36. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET

The Board of Directors of the Holding Company in their board meeting held on October 06, 2011 have recommended a final cash dividend of Re. 1/- 10% per ordinary share amounting to Rs. 50 million (2010: Rs. Nil) for the year ended June 30, 2011. The consolidated financial statements for the year ended June 30, 2011 do not include the effect of the final dividend which will be accounted for in the consolidated financial statements for the year ending June 30, 2012.

37. GENERAL

37.1 There were no material reclassifications that could affect the consolidated financial statements materially.

37.2 Figures have been rounded off to the nearest Rupee.

37.3 Since the subsidiary was acquired during the year, there are no comparative figures to report.

Sd/-
SULTANA SIDDIQUI
Director

Sd/-
DURAID QURESHI
Chief Executive