



Republic of Montenegro
BROADCASTING AGENCY
Number: 02-2923

FINANCIAL PLAN
for 2007

Podgorica, November 2006

Introductory notes

The Financial Plan for 2007 has been drafted pursuant to the valid regulations and documents of the Agency, in line with all conditions defined by the Broadcasting Development Strategy. It is based on the financial indicators in 2006, and on the expected income and expenditure in 2007. The Financial Plan foresees all relevant financial categories (in both quantitative and qualitative terms) and measures for their implementation. The purpose of this document is to outline the requirements of the Agency in 2007 and, applying the drafting methodology for planning revenues to be collected from the funding sources established by law, to achieve the balance between revenues and expenditure.

INCOME PLAN

Income Plan for 2007 includes all prescribed funding sources of the Broadcasting Agency:

- fees for the registration of broadcasters;
- fees for the registration of legal entities that have been issued license for the development and use of distribution systems;
- fees paid for the license for transmission and broadcasting of radio and TV signals;
- fees paid for the license for the development and use of distribution system;
- a part of the broadcasting fee;
- a part of tax on radio receivers in motor vehicles;
- a part of revenues of the company for the transmission and broadcasting of radio and TV signals, in accordance with the Council's decision;
- other sources in compliance with the Broadcasting Law.

- **fee for the registration of broadcasters** is determined according to the costs of licence issuing, technical inspection, and entering into the Register of the Broadcasting Agency, and accounts for 10% of the amount of the annual fee paid for the license for transmission and broadcasting of radio and TV signals. In 2007, the income on this basis was planned to the amount of €48.716.

- **fee for the registration of legal entities that have been issued license for the development and use of cable distribution systems** shall be determined as a fixed amount and paid, without the possibility of reimbursement when the licence is issued. Given that detailed terms for planning this income have not been specified yet, it was not planned for 2007.

- **fee for the license for the satellite and MMDS distribution of radio and TV signals** are prescribed by the Agency in line with the verified frequency allocations and relevant technical and operational parameters, in compliance with the international standards and recommendations. Income based on these licences was not planned for 2007 because of impossibility to define actual projection of the total amount on this basis;

- **fee for the license for transmission and broadcasting of radio and TV signals** have been prescribed by the Book of Rules on Level, Manner of Determination and Payment of Fees for Licences for the Transmission and Broadcasting of Radio and TV Signals. In compliance with the new Broadcasting Frequency Allocation Plan, the new temporary licences for the transmission and broadcasting of radio and TV signals have been issued (55) for the allocated TV channels and FM radio frequencies. The income on this basis is planned to the amount of €487.167;

- **fees paid for the license for the development and use of cable distribution system** is determined depending on the lowest amount of the fee and the estimated number of connections for the cable distribution system. The fee level for the aforementioned licence belongs to the Broadcasting Agency to the amount of 50 per

cent and to the local authorities on whose territory the cable distribution system is build to the amount of 50 per cent. Given that the procedure of announcing the tender for awarding these licences is under way, and that the licences will stipulate the period after the expiry of which cable operators will start paying fees, the income based on this service are not included in the 2007 plan;

- the total planned amount of funds from the **broadcasting fee** is €6.426.000, out of which €321.300 goes to the Broadcasting Agency. The basis for planning of these funds was the expected number of subscribers paying the broadcasting fee (170.000), level of broadcasting fee (€3.5) and the collection rate (90%). It is estimated that the number of subscribers paying the broadcasting fee will be the same in 2007 as in 2006 (170.000), and that the level of the broadcasting fee will not change in 2007.

In compliance with the law, funds acquired through the collection of the tax on radio receivers in motor vehicles are distributed to the Republican Public Broadcasting Service RTVCG (75%), Fund for the Support of the Local Public Broadcasting Services (10%), Fund for the Support of the Commercial Broadcasters (10%) and the Broadcasting Agency (5%);

Within the scope of its activities, the Agency will continue fulfilling its legal obligation related to defining the model of and relations in the distribution of the total collected money to the funds for the support of local public and commercial broadcasting services.

- The total planned funds from **taxes on radio receivers in motor vehicles** amount to €600,00.00, out of which €30,000.00 belongs to the Broadcasting Agency. The elements used for projecting these funds are the estimated number of vehicles in Montenegro (100,000) and the level of tax on radio receivers in motor vehicles (€6). It is also estimated that the level of tax on radio receivers in motor vehicles will not change in 2007, although the Agency Council is obliged to reconsider the existing broadcasting fee level periodically, and to examine the effects of the solution defined by its decision. At the session held on June 26th 2003, the Agency Council adopted the Decision on Collection Procedure and Level of Tax on Radio Receivers in Motor Vehicles, according to which every owner of the motor vehicle in the Republic of Montenegro is obliged to pay a €6 tax when registering the vehicle.

In compliance with the law, funds acquired through the collection of the broadcasting fee are distributed to the Republican Public Broadcasting Service –Radio of Montenegro (75%), Fund for the Support of the Local Public Broadcasting Services (10%), Fund for the Support of the Commercial Broadcasters (10%) and the Agency (5%);

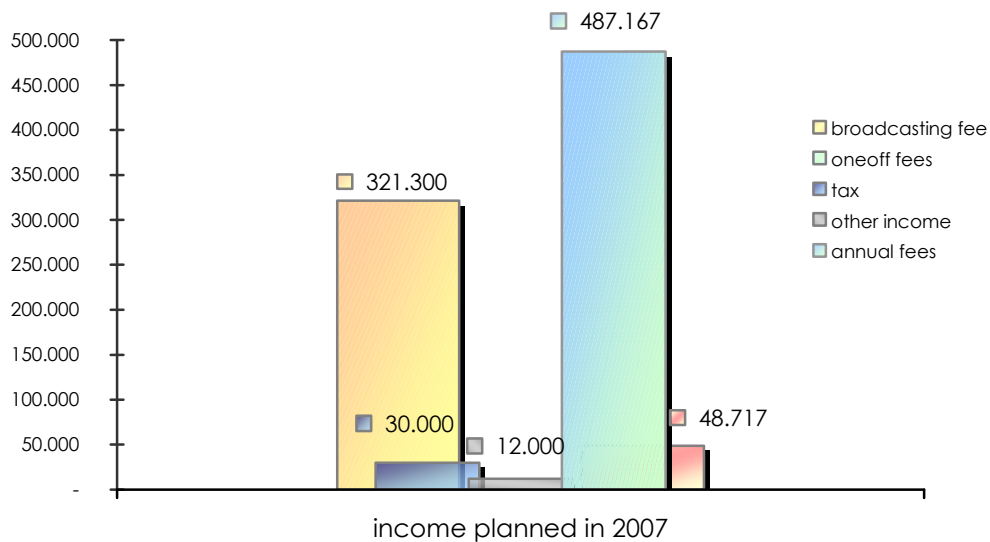
- **revenues of the company for the transmission and broadcasting of radio and TV signals**, are not planned for 2007, primarily because of the this company's transformation process and adjustment of its operation to the Broadcasting Law provisions.

The established funding system will create the conditions for the financial sustainability and independence of the Broadcasting Agency, aimed at independent fulfilment of its obligations prescribed by law.

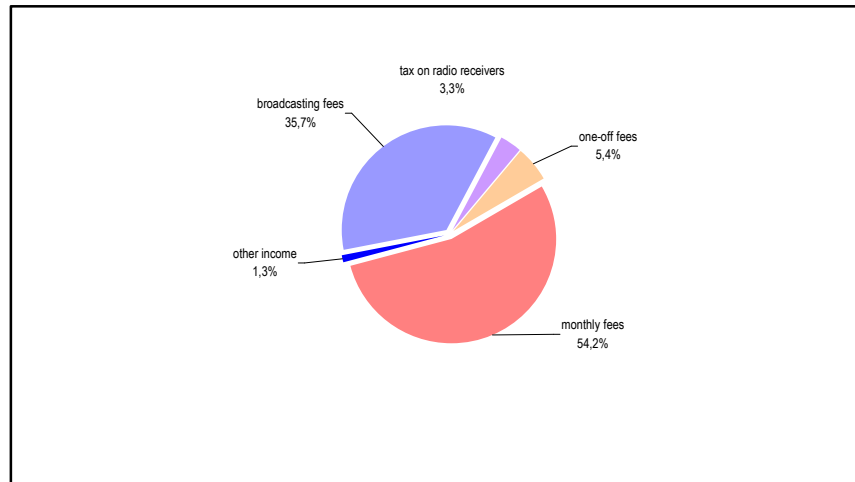
On the basis of the existing indicators the total income of the Agency is planned in the amount of €899,183.

Table 1: **Income planned in 2007**

Income		monthly	annual	note
I	One-off fees			
	• Broadcasters	x	€48,716	€487,167 x 10%
	• cable operators	x	x	
	• MMDS and satellite distr. sys.	x	x	
	total	x	€48,716	
II	Annual fees			
	• Broadcasters – transmission and broadcasting	€40,597	€487,167	100% collection rate
	• cable operators	x	x	
	• MMDS and satellite distr. sys.	x	x	
	total	€40,597	€487,167	
III	Other income			
	• Broadcasting fee	€26,775	€321,300	$170.000 \times 0,9 \times 0,05 \times 3,5 = €26,775$
	• Tax on radio receivers	€2,500	€30,000	$100.000 \times 6 \times 0,05 = €30,000$
	• Signal transmission companies	x	x	
	• Other income	x	€12,000	
	total	€29,275	€363,300	
Total income I+II+III		€69,872	€899,183	



In the 2007 planned income structure, the income coming from annual fees has the biggest share (54.2%), followed by income from broadcasting fee (35.7%), one-off fees (5.4%), tax on radio receivers (3.3%) and other income (1.3%);



EXPENDITURE PLAN

The Agency's expenditure is planned on the basis of this year's expenditure, as well as on the basis of the income planned for the next year, enabling efficient functioning and implementation of planned objectives of the Agency. The expenditure amounts presented through different items reflect actual needs of the Agency during 2007, ensuring at the same time that the public money is spent in a reasonable and effective manner in compliance with the positive legislation and regulations.

Structure of expenditure for regular activities:

- **gross salaries** of the employees are given in gross amount, including: regular earnings for the activities within the working hours, with the plans to fill in one vacancy;
- **fees for the Council members**, are defined by the documents of the Agency and calculated on the basis the average salary of the employees;
- **other earnings and remunerations of the employees** consisting of the meal and transport compensations, costs of holiday and winter bonus, and other personal remunerations based on the criteria defined by standards and normative documents, or by the Individual Collective Agreement;
- **business trips and membership fees** include the business trip expenses in the country (transport, hotel expenses and per diems), business trip expenses abroad (transport, hotel expenses and per diems), and costs of membership in the international

organisations. During the previous activities of the Agency, employees and Council members have visited pre-coordination meetings, conferences and seminars (Switzerland, Sweden, Italy, France, Turkey, USA, Slovenia, Croatia, Bosnia and Herzegovina, Macedonia, Albania, Cyprus, Austria and the United Kingdom). In view of the planned activities and the need to continue following and complying with the international regulations, it can be expected that similar activities would continue in 2007. The foreseen expenses of the membership in international organisation have been planned for the purpose of creating conditions for the implementation of the obligations prescribed by law and objectives of the Broadcasting Agency, at the same time complying with the international regulations and standards;

- **expenditure for material and services** are calculated on the basis of the consumption of different types of materials in previous period and planned level of activities of the Agency. The main elements of this group of expenses are the following: stationeries, advertising material, office supplies, bank commissions, commission to the Telecom of Montenegro for the service of the broadcasting fee collection, telephone services, expense account, insurance premiums for equipment and employees, postal services, costs for contracted services. Costs of the education and professional training of the employees are aimed at the efficient completion of their tasks. These funds have been planned for payment of participation in expert education courses and improvement of the level of the foreign language performance depending on the job requirements, as well as for the education material including the professional literature, handbooks, and other professional publications;

- **costs of the fixed assets maintenance** include the costs of the registration and maintenance of vehicles, fuel and electricity, service and repairs, service of regular maintenance of fixed assets and materials needed for regular maintenance of fixed assets. They have been planned on the basis of average expenses of the regular maintenance and planned investments;

- **other business liabilities** include the expenses for advertising, subscriptions to professional publications and newspapers, payment of the annual financial report audit, obligatory under the Agency Statute, taxes and other non-material expenses. Advertising costs reflect the Agency's obligation to organise its procurement by means of public tenders, while the allocation of frequencies and money from the funds require frequent advertising in media outlets;

- **funds for the housing needs of the employees** refer to the allocation of funds to the amount of around 10% of the gross monthly salary and fees of the employees. The Agency wishes to allocate the funds, as an incentive for young and highly educated experts, which will prepare for the most complex regulatory activities, for the purpose of promoting this process;

- **amortization costs** calculated for the fixed assets the Agency has received as the initial funding and fixed assets procured from the beginning of operation of the Agency;

- **other expenditures and reserve** covering approximately one half of the monthly funding of the most necessary activities of the Agency;

Table 2: **Expenditure planned in 2007**

Expenditure		monthly	annual	note
I	Gross remunerations			
	Council members	€3,986	€47,832	
	Employees	€29,500	€354,000	
	Total	€33,486	€401,832	
II	Other earnings and remunerations			
	Meals during working hours	€1,320	€15,840	
	Transport of employees	€360	€4,320	
	Holiday and winter bonus	x	€17,280	
	Other remunerations/assistance	€1,000	€12,000	
	Total	€2,680	€49,440	
III	Business trips and membership dues			
	Business trips within the country	€600	€7,200	
	Business trips abroad	x	€60,000	
	Membership dues for international organisations	x	€14,000	ITU, EPRA, AIB, MNRA
	Total	€600	€81,200	
IV	Material and services			
	➤ stationeries	€800	€9,600	
	➤ advertising material	€200	€2,400	
	➤ office supplies	€500	€6,000	
	➤ expense account	€500	€6,000	
	➤ staff insurance premiums	x	€864	
	➤ other non-productive services	€100	€1,200	
	➤ payment op. and Telecom commiss.	€2,500	€30,000	
	➤ other taxes and contributions	€800	€9,600	
	➤ telephone expenses	€1,000	€12,000	
	➤ postal services	€200	€2,400	
	➤ contracted services	x	€5,000	
	➤ education of staff	€500	€6,000	
	Total	€7,100	€91,064	
V	Maintenance of fixed assets			
	➤ insurance and registration of vehicles		€3,000	
	➤ service, repairs of vehicles	€500	€6,000	
	➤ fuel and lubricants	€600	€7,200	
	➤ running maintenance of fixed assets	€300	€3,600	
	Total	€1,400	€19,800	
VI	Other business expenditure			
	➤ newspaper advertising expenses	€1,000	€12,000	
	➤ tax expenses	€100	€1,200	
	➤ subscriptions for magazines, newspapers, agencies	€250	€3,000	
	➤ costs of final account audit	x	€4,095	

	➤ other non-material expenses	€400	€4,800	
	➤ security expenses	€500	€6,000	
	➤ web site extension and redesigning	x	€10,000	
	➤ DVB Forum organisation	x	€30,000	
	Total	€2,250	€71,095	

VII	Housing issues of employees			
	➤ payment for the fund	€2,950	€35,400	
	Total	€2,950	€35,400	

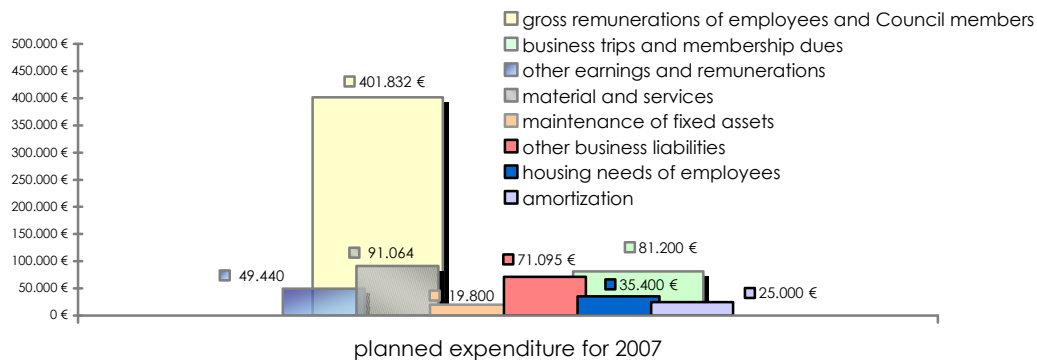
VIII	Fixed assets			
	➤ amortization	x	€25,000	
	Total		€25,000	

	Total I - VIII	€50,466	€774,831	
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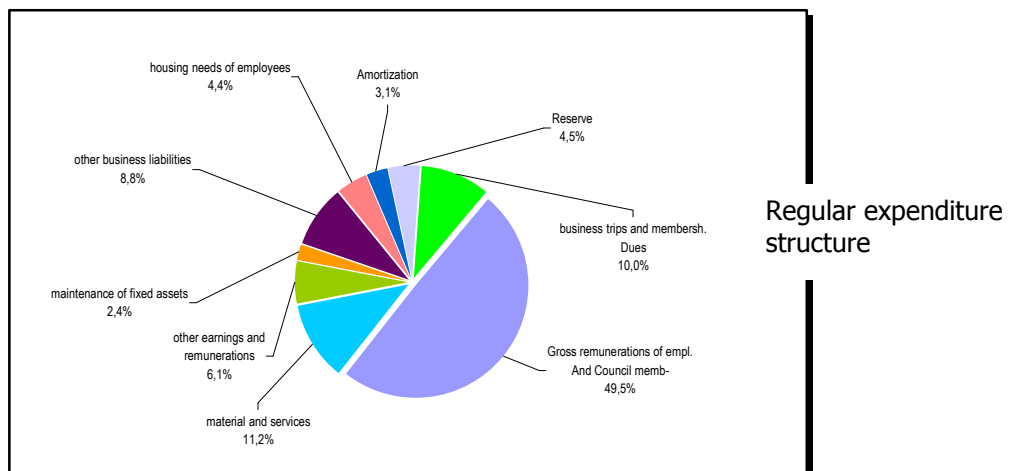
IX	Reserve			
	➤ 5% of the total budget	x	€38,742	
	Total		€38,742	

TOTAL EXPENDITURE

€813,573



In the 2007 planned expenditure structure, the gross salaries have the biggest share (49.5%), followed by the material and services expenditures (11.2%), business trips and membership fees (10.0%), other business expenses (8.8%), other fees and remunerations (6.1%), unforeseen expenses (4.5%), housing needs of employees (4.4%), amortization (3.1%), and maintenance of fixes assets (2.4%).



INVESTMENT PLAN

In view of the need to create contemporary and efficient conditions for the completion of the Agency's duties during 2007, the investment activities have been planned concerning the provision of equipment for the Monitoring Sector and Technical Sector.

The investments for the purposes of Technical Sector, involve the following procurement:

I	Technical Sector	price
	➤ spectrum analyser (30 GHz)	30,000
	➤ GIS software	3,000
	➤ instruments for measuring the amplitude and frequency parameters of equipment	15,000
	➤ instruments for determining electromagnetic compatibility of the equipment	15,000
	➤ instruments for assessment of parameters of antenna systems	15,000
	➤ instruments for measuring different frequency bands	5,000
	➤ auxiliary equipment	2,000
	➤ instruments for measuring signal characteristics	10,000
	➤ specialised software packages	3,000
	total	98,000

For the purposes of the Monitoring Sector, the next year's procurement of software is planned, which will enable 24 hour monitoring and logging of the recorded broadcast media programmes in Montenegro. For that purpose, it is necessary to procure the hardware equipment to support the aforementioned software.

II	Monitoring Sector	price
	➤ monitoring and logging hardware and software	€60,000.00
	total	€60,000.00

The procurement of new vehicles is planned in order to replace the old ones, which will be written off.

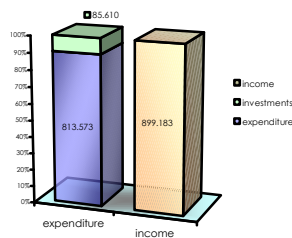
II	Broadcasting Agency services	price
	➤ vehicles	€30,000.00
	total	€30,000.00

The funds for this purpose will be gradually provided from the accumulated surplus of income over expenditure, reserve funds and from the donations of the international organisations and institutions, given that these are specific procurements, for which it is difficult to foresee market conditions for the procurement of the aforementioned items.

SUMMARY

When drafting the Agency's Financial Plan for 2007, it was estimated that the funding conditions would be strongly affected by the general economic situation. Objective possibilities were taken into consideration for such circumstances to achieve realistic income level sufficient to cover the planned expenditure. The Broadcasting Agency has planned the total income for 2007 to the amount of €899,183, and the total expenditure of €813,573, and the profit of €85,610.

	Balance positions	plan (€)
1.	TOTAL INCOME	899,183
2.	TOTAL EXPENDITURE	813,573
3.	PROFIT (1-2)	85,610



Planned income related to one-off fees, annual fees and other income, enable covering of the planned expenditure, which is the objective of the Agency's financial operation. In these projections, it is possible to implement the planned tasks related to the Agency's main activities focused on the fulfilment of its broadcast regulatory function. In order to fulfil the Financial Plan of the Agency and provide a stable functioning of the broadcasting system it is necessary to:

1. adopt all legal documents regulating the development of cable and other distribution systems and implement the relevant public tender procedure;
2. create conditions for consequent implementation of contract signed with the Telecom of Montenegro on payment of income coming from the broadcasting fee;
3. solve problem of outstanding liabilities of broadcasters using measures prescribed by law, in order to avoid their unequal treatment. It is necessary to create a mechanism or system of measures and actions for the broadcasters that do not meet their liabilities on regular basis, in the form of clear and precise regulations defining all steps from warnings to final possibility of revocation/suspension of the licence;
4. adhere to clearly defined administrative and accounting/financial procedures;

In order to ensure the implementation of Financial Plan, it is necessary to:

1. monitor the financial conditions of operation, from the aspect of liquidity maintenance;
2. analyse income and expenditure, as the success control instruments, on monthly basis;
3. have permanent internal control of the business operation cost effectiveness.

Abaz Beli Džafić

Director