



Montenegro
AGENCY FOR ELECTRONIC MEDIA

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FINANCIAL REPORT
OF THE AGENCY FOR ELECTRONIC MEDIA
FOR 2011

Podgorica, April 2012

TABLE OF CONTENTS

INTRODUCTION	1
I INCOME STATEMENT FOR THE PERIOD FROM 1 JAN TO 31 DEC 2011	3
INCOME OF THE AGENCY	5
EXPENDITURE OF THE AGENCY	9
II BALANCE SHEET AS AT 31 DEC 2011	15
III CASH FLOW BALANCE FROM 1 JAN TO 31 DEC 2011	17
CONCLUSIONS	17

INTRODUCTION

In August 2010, the Electronic Media Law ("Official Gazette of Montenegro, Nos 46/10, 40/11 and 53/11) came into effect, prescribing that the Broadcasting Agency shall continue its operation as the Agency for Electronic Media and take over the employees, assets, equipment, rights and liabilities of the Broadcasting Agency. Even though the new law contains the provisions on the sources of funding, the Agency for Electronic Media did not start the collection of fees on the basis of the issued licences for provision of AVM services before the second half of 2011. The beginning of collection was delayed because of the time necessary to constitute the Agency's management bodies (Council and Director) and follow the procedures prescribed by law, and because of a delay in the adoption of the bylaws, necessary for awarding licences and calculation of fees.

The purpose of the Financial Report for 2011 is to present the business conditions and environment, completed business activities, as well as their effects. The report is based on the accounting data and accurate accounting documentation, and drafted adhering to clearly defined procedures for administrative, accounting and financial activities.

Same as the previous Broadcasting Law, the Electronic Media Law prescribes an obligation of the Council of the Agency for Electronic Media to adopt and publish both periodical and annual financial reports (Article 14, indented line 20). Given this obligation, in order to promote the transparency of work, the Agency makes this Report available to a wide range of interested parties on its website www.ardcg.org.

In early November 2011, the Parliament of Montenegro adopted the amendments to the Electronic Media Law ("Official Gazette of Montenegro," No. 53/11). The amendments abolished Article 159, paragraph 1, indented line 2 of the law, reinstating the provisions of the Budget Law, related to the Agency for Electronic Media. It resulted in an unclear and undefined framework as regards the competences and obligations of the Agency's bodies related to the adoption of financial plans and reports. In compliance with the Budget Law ("Official Gazette of Montenegro," Nos 40/01, 44/01, 28/04, 71/05, "Official Gazette of Montenegro," Nos 12/07, 73/08, 53/09, 46/10, 49/10, 53/11), a competent body of the independent regulatory authority (Agency Council) defines a proposal of the financial plan with the annual report for the previous year, and appoints a representative of the independent regulatory authority who will participate in the parliamentary procedure. The competent body of the independent regulatory authority submits the proposed financial report and the document on appointment of the representative to the Ministry of Finance no later than 30 April (Article 50, paragraphs 2 and 3 of the Budget Law). Consequently, the proposed Financial Report of the Agency is submitted to the Parliament of Montenegro through the Ministry of Finance.

I Income statement for the period from 1 January to 31 December 2011

In 2011, the Agency had the total income of €1,148,452.91, while the expenditure amounted to €623,958.13, meaning that it made a profit of €524,494.78.

group of accounts, account	position	Current year	Previous year
	I OPERATING INCOME	1,009,686	-
64 and 65	Operating income	1,009,686	-
	II OPERATING EXPENSES	(565,445)	(533,568)
51	Material	(13,048)	(8,262)
52	Salaries, remunerations and other personnel expenses	(467,823)	(442,074)
54	Depreciation and reserves	(26,023)	(28,345)
53 and 55	Other operating expenses	(58,551)	(54,884)
	BUSINESS RESULT	444,241	(533,565)
66	I FINANCIAL INCOME	1,806	9,043
56	II FINANCIAL EXPENDITURE	(23,733)	(25,026)
	FINANCIAL RESULT	(21,927)	(15,983)
67, 68, 691 and 692	I OTHER INCOME	136,961	66,617
57, 58, 591 and 592	II OTHER EXPENDITURE	(34,780)	(134)
	RESULTS OF OTHER ACTIVITIES	102,181	66,483
	RESULTS OF REGULAR OPERATION BEFORE TAXES	524,495	(483,065)
	NET RESULT	524,495	(483,065)

Income of the Agency

Article 42 of the Electronic Media Law prescribed the following sources of funding of the Agency for Electronic Media:

- one-off fees for registration of providers of AVM services;
- annual fees based on the awarded licences for provision of AVM services (broadcasting fees, fees for provision of on-demand AVM service);
- other sources in compliance with the law.

1) Fees for registration of providers of AVM services

Article 44 of the Electronic Media Law prescribes that an AVM service provider pays a one-off fee for registration, defined on the basis of the actual costs of the Agency for the registration procedure. Furthermore, the Electronic Media Law (Article 148) prescribes that, within six months from its coming into effect, the Agency shall:

- issue the broadcasting licenses to the commercial broadcasting services, which operate on basis of licenses for transmission and broadcasting of radio and TV signals, issued in compliance with the Broadcasting Law and decisions on awarding licenses for the use of broadcasting radio-frequencies, issued in compliance with the Electronic Communications Law.

- issue the license for providing on-demand AVM service to the operators that work on the basis of the license for development and use of distribution systems (cable, MMDS and satellite systems, and public fixed telecommunication networks), issued in compliance with the Broadcasting Law and a decision on entering into the registry of operators, issued in accordance with the Electronic Communications Law.

Given the scope of work that must be done in order to complete these activities, the Financial Plan of the Agency for Electronic Media for 2011 (No. 01-451 of 5 April 2011, annexed to this report) envisaged that these entities had to pay the registration fee amounting to 5 percent of the annual fee. In that way, the Council of the Agency for Electronic Media (hereinafter referred to as: Agency Council) has taken into consideration that, in this case, the licences are issued to the entities that are already licensed in compliance with the previous law, and that the scope of work related to the licensing and registration is smaller than in the case of licensing of entities that obtain the status of a provider of AVM service (broadcaster or provider of on-demand AVM service) for the first time.

The Rulebook on the Level, Manner of Payment and Collection of the Fees based on the issued licences for provision of AVM services ("Official Gazette of Montenegro," No. 25/11) prescribes that the registration fee is paid to the Agency, without the possibility of reimbursement, when collecting the licence for the provision of AVM service, and it amounts to:

- 10% of the annual licence fee for the awarded licence;
- 5% of the annual licence for the extended licence.

In view of the aforementioned, the Director of the Agency for Electronic Media awarded the licences in compliance with Article 148 of the Electronic Media Law, and these entities became obliged to pay registration fees amounting to 5% of the annual fee.

In a complaint procedure initiated by the company "Broadband Montenegro" a.d. (No. 518 of 5 August 2011) against a part of the first instance document – Licence for Provision of On-Demand AVM Service No. O-AVMD-01 (No. 02-975 of 29 July 2011), related to the payment of one-off registration fee, the Agency Director proposed to the Agency Council to examine the possibility of exempting all holders of the licence for provision of AVM service, awarded in compliance with Article 148 of the Electronic Media Law, from the registration fee. In addition, the Agency Director pointed out that a complex financial position of these entities should be taken into consideration, as well as the fact that they had already paid the fee in compliance with the previous Law.

In view of the aforementioned, at the meeting of 22 August 2011, the Agency Council decided to accept the proposal of the Agency Director and amend the part of the Financial Plan for 2011 related to the income planned on the basis of the registration fees paid by the holder of licences for provision of AVM services, awarded in compliance with Article 148 of the Electronic Media Law (Decision of the Agency Council No. 01-1019/2 of 22 August 2011).

Given that a number of these entities have already paid the registration fees, the Agency Council concluded that this amount would be deducted from their debt based on the annual fee for 2011.

2) Annual fees based on the awarded broadcasting licences (broadcasting fees)

The Law prescribes that these fees are defined on the basis of the size of the coverage zone according to the number of citizens, attractiveness of the area within the coverage zone, type of electronic media (radio or TV), broadcasting platform (terrestrial broadcasting systems, cable and MMDS systems, public fixed or mobile telecommunication networks, satellite distribution systems and other electronic communication systems).

For the calculation of annual fee, the input information included:

- Methodologies contained in the Rulebook on the Level, Manner of Payment and Collection of the Fees based on the issued licences for provision of AVM services
- Value of the coefficient A, representing the basis for calculation of the annual broadcasting fee for 2011, amounting to €2,800.00 (Decision of the Agency Council No. 01-656 of 31 May 2011).

- Data on the rights and liabilities ensuing from the awarded licences for transmission and broadcasting of radio and TV signals on the basis of which the broadcasting fee had been collected until the end of 2008.
- Available information related to the decision on licences for the use of radio-frequencies awarded by the Agency for Electronic Communications and Postal Service;

Given that the Agency did not start to collect the fees based on the awarded broadcasting licences before the second half of 2011, the collection rate was not at a satisfactory level (**54.5%**), which indicates that this income was not a stable source of funding for the Agency in 2011.

Moreover, it is also important to mention that the collection rate would have been at even lower level if individual tripartite agreements between the Agency for Electronic Media, the Agency of Electronic Communications and Postal Service and 19 broadcasters had not been signed in late December 2011 on the basis of a State Aid Programme, adopted in early 2011 by the Government.

The State Aid Programme (Government's document No. 03-2061 of 10 March 2011) envisaged that the state would take over a debt of the electronic media to the Agency for Electronic Communications and Postal Service (amounting to €1,008,709.08 in total) and the Broadcasting Centre Podgorica (amounting to €3,438,930.56 in total). In addition, it was defined that the state aid beneficiaries would include commercial broadcasters/radio and TV channels (takeover of debts based on the fees for the use of frequencies, as well as the lease of infrastructure and capacities for the transmission and broadcasting of radio and TV signals) and local public broadcasters (takeover of debts based only on the lease of infrastructure and capacities for the transmission and broadcasting of radio and TV signals). The adopted programme envisaged that the amount of debt the broadcasters/media paid in 2009 and 2010 would be regulated by a separate document, signed between broadcasters/media on the one hand, and the Agency for Electronic Communications and Postal Service, on the other.

At the request of the Agency for Electronic Media, the Agency for Electronic Communications and Postal Service submitted an overview of data on the amount of debt certain broadcasters paid in 2009 and 2010, they were entitled to as state aid beneficiaries. In view of the aforementioned, the tripartite agreements were signed in late December 2011 between the two agencies and individual broadcasters, enabling the allocation of funds 19 broadcasters paid in 2009 and 2010 to cover their debts to the regulatory authorities.

In that way, out of a total of €237,263.98, paid in 2009 and 2010 by broadcasters:

- The Agency for Electronic Communications and Postal Service kept €59,811.70.
- €177,452.28 was transferred to the Agency for Electronic Media, according to the following schedule:
 - €98,994.16 was transferred by the end of 2011 and
 - €89,865.62 will be transferred at the moment of payment of the subsidies for 2010 by the Government of Montenegro, pursuant to the Decision of the State Aid Control Commission (No. 01-19/1 of 23 February 2011), not later than 30 June 2012. The transfer of these funds was completed in February 2012.

In 2011, the Agency awarded the licence for broadcasting radio programme "**Roma Radio**" to the nongovernmental organization "Montenegrin Roma Association" (No. O-R-K-17 of 3 August 2011), which obtained the status of a broadcaster and the right to broadcast programme intended to an indefinite number of users by means of the electronic communication networks, without the use radio-frequencies. The annual fee was calculated for this broadcaster for 2011, according to the Rulebook on the Level, Manner of Payment and Collection of the Fees based on the issued licences for provision of AVM services, amounting to €2,830.92.

Since the previous practice showed that the collection of this income is comparatively low despite the efforts made, notices and warnings, the Agency will use other possibilities and mechanisms defined by law, to ensure the collection of the fees, which could result in the suspension and revocation of licences.

3) annual fees based on the awarded licences for provision of on-demand AVM services (fees for provision of on-demand AVM service)

The law prescribes that these fees are determined on the basis of:

- fixed amount defined on the basis of the size of the area where the services are provided, for the period until the end of the year in which the activity has started, but the level of fee cannot exceed the annual broadcasting fee for the same area and based on the same platform used for the provision of service (terrestrial broadcasting systems, cable and MMDS systems, public fixed or mobile telecommunication network, satellite distribution systems and other electronic communication networks);
- annual revenues of service providers made on that basis during the previous calendar year, but the fee level cannot exceed 5 percent of this revenue.

Pursuant to Article 148 of the Electronic Media Law ("Official Gazette of Montenegro," No. 46/10, 40/11 and 53/11), the Agency for Electronic Media has awarded authorizations for the provision of the on-demand AVM services to the operators working on the basis of the licences for the development and use of distribution systems (cable, MMDS and satellite systems, and public fixed telecommunication networks), issued on compliance with the Broadcasting Law and a decision on entering into the registry of operators, issued in compliance with the Electronic Communications Law.

When calculating the annual fees for the existing providers of on-demand AVM services, the starting points include:

- the information on the rights and obligations ensuing from the awarded licences for transmission and broadcasting of radio and TV signals on the basis of which the broadcasting fees had been collected by the Broadcasting Agency by the end of 2008;
- the amount of 3.0 percent of the annual revenues of the service providers on that basis in 2010, defined by a decision of the Council of the Agency for Electronic Media on the level of parameters for the determination of fees for the provision of AVM services in 2011 (No. 01 – 656 of 31 May 2011);
- the data from the financial statements and fixed asset card of the on-demand AVM service providers for 2010.

In 2011, the Agency awarded authorization for the provision of on-demand AVM service to "**Media Net**" d.o.o. from Podgorica (No. 0-AVMD-07 of 3 August 2011), which obtained the status of an on-demand AVM service provider and the right to provide that service through the public cable electronic communication network to indefinite number of users in the authorized service zone (Berane, Rozaje and Cetinje). The annual fee, amounting to €1,720.60, was calculated for the on-demand AVMS service provider for 2011 on the basis of the Rulebook on the Level, Manner of Determination and Payment of Fees Based on the Issued Authorizations for Provision of AVM Services,

The collection rate was at the satisfactory level for these revenues (**87.6%**), which indicates that this was a stable source of funding for the Agency in 2011, and it is realistic to believe that it will continue to be so in 2012.

4) Other sources in compliance with the law

Other revenues collected in the reporting period include the ones from donation, reallocated licence fee and tax on radio receivers in motor vehicles, fines paid by the operators, revenues from the charges for the processing of requests and tender applications, reimbursement of funds by the Social Work Centre, regular interest, as well as other business proceeds.

These revenues are registered when they are collected and they are related to:

- Revenues from the licence fee and tax on radio receivers in motor vehicles, collected after coming into effect the Law on Public Broadcasting Services of Montenegro, which abolished the obligation of payment of these liabilities, amounting to €80,122.06. Given that it was unfeasible and inefficient to keep these funds blocked any longer, at a meeting of 24 March 2011, the Council of the Agency for Electronic Media considered the possibility and feasibility of reallocation of these

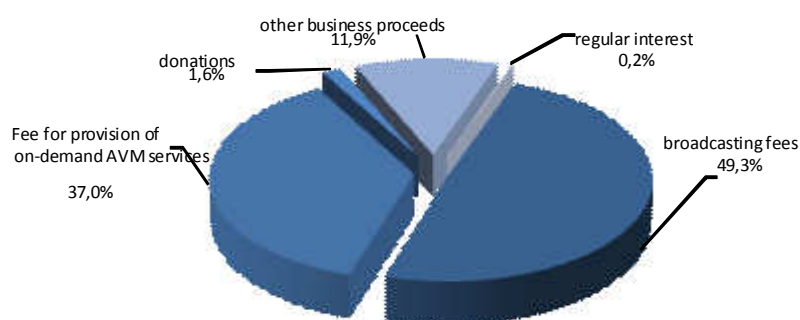
funds to the Agency for Electronic Media. In this respect, the Agency Council had in mind the financial situation of the Agency for Electronic Media, caused by the abolishment of all stable and sustainable sources of funding of the Agency for Electronic Media since the beginning of 2009. Recognizing the original purpose of the funds collected on the basis of licence fee and tax on radio receivers in motor vehicles, the Agency Council decided that undistributed or unallocated funds should be reallocated to the Agency for Electronic Media. In addition, the Agency Council concluded that these funds could be used only for the Agency's activities related to the implementation of the Electronic Media Law, which would provide efficient completion of its regulatory function in the best interest of the public.

- Revenues collected on the basis of the European Union donation for the "SEE Digi.TV" project. The total project costs amount to €160,200, out of which the European Union Delegation to Montenegro will provide €136,170 (equal to 85% of the estimated eligible costs) from the IPA funds, while the rest will be provided equally by the Agency for Electronic Media and the Agency for Electronic Communications and Postal Service (15%). The European Union Delegation to Montenegro transferred the first instalment of the advance funding, amounting to €53,480.90 (80% of the estimated budget for the first 12 months of implementation) to the Agency for Electronic Media. Out of that amount, €25,210.45 was transferred to the Agency for Electronic Communications and Postal Service.
- Revenues from the fine paid by the "M-KABL" company (Decision No. 02-365/2 of 5 October 2010) for the violation of the issued licence and the Law on Copyright and Neighbouring Rights and the Law on Application of Regulations on the Protection of Intellectual Property, amounting to €5,000.00.
- Revenues from the reimbursement of compensation for maternity leave of the employees by the Social Work Centre, amounting to €48,646.19.
- Revenues from charges for processing of applications for authorizations for the provision of AVM services, amounting to €900.00.
- Revenues from charges for processing of requests for transfer of broadcasting licences, amounting to €866.78.
- Revenues from the registration fee for the issuing of broadcasting licence to the Roma Association of Montenegro (Roma Radio), amounting to €283.09, and the registration fee for the issuing of authorization for provision of on-demand AVM service to the Media Net d.o.o, amounting to €172.06.
- Other revenues, amounting to €1,142.56.
- Revenues from regular interest on sight deposits on the bank accounts of the Agency, amounting to €1,085.65.

Table: Revenues collected in 2011

account	January - December 2011	amount (€)	%
652902	broadcasting fees	566,155.36	49.3
652901	fees for provision of on-demand AVM services	424,984.66	37.0
640300	donations	18,546.56	1.6
679000	other business proceeds	136,960.68	11.9
662300	regular interest	1,805.65	0.2
total		1,148,452.91	100.0

Graph: overview of income structure in 2011

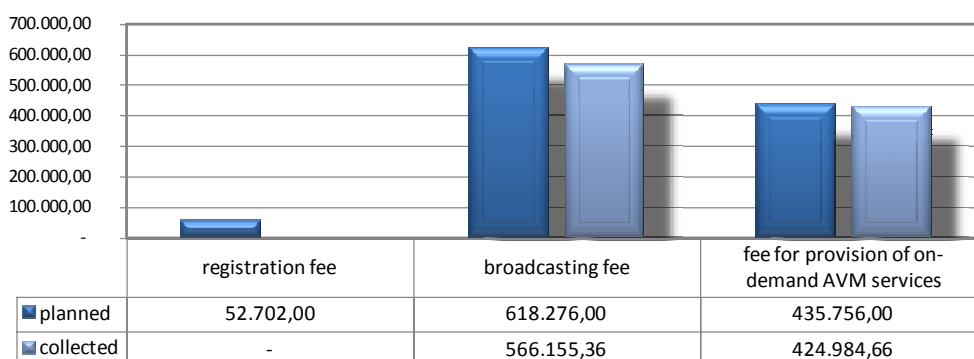


The table below provides an overview of key indicators of the financial operation and their comparison with plan:

January - December 2011

Type of income	Planned	Collected	Index
registration fee	52,702.00	-	-
broadcasting fee	618,276.00	566,155.36	91.6
fee for provision of on-demand AVM services	435,756.00	424,984.66	97.6
donations	-	18,546.56	-
other business proceeds	-	136,960.68	-
regular interest	-	1,805.65	-

Graph: overview of revenues and their comparison with plan



Comparing the elements of the collected revenues with the planned ones in 2011, we could conclude that the Agency adhered to the adopted Financial Plan: the revenues from broadcasting fee were 8.4 percent lower than planned, while the revenues from the fee for provision of on-demand AVM services were 2.4 percent lower than planned.

Low collection rate for the revenues from the broadcasting fee is a problem the Agency is faced with, and the main reasons for poor collection are a delay in the adoption of the necessary bylaws which served as a basis for licensing and calculation of fees in 2011 and difficult financial position of a large number of broadcasters.

All this indicates that the funds for the assistance to commercial and local public broadcasters from the licence fee and tax on radio receivers in motor vehicles, supporting their operation and difficult adjustment to the market conditions in this field in a transparent manner, were abolished too early and hastily.

In future, the Agency will take the legal measures for collection of these fees, including the ones that could result in suspension and revocation of licences.

Expenditure of the Agency

In the reporting period, the expenditure of the Agency amounted to **€623,958.13**. The highest share in the expenditure structure are expenses for salaries and other personnel expenditure (61.2%), followed by Agency Council fees (12.4%), other business expenses (8.3%), expenses for materials and services (4.6%), depreciation (4.2%), subsidized interest for the housing loans (3.8%), humanitarian assistance and sponsorship (1.2%), business trips and membership in international organisations (2.5%), and expenses for the fixed assets maintenance (1.7%).

Table: expenses during 2011

Account	January - December 2011	amount (€)	%
salaries and other personnel expenditure			
520000	net salaries of employees	212,159.68	34.0
521000	tax on gross salaries	30,470.50	4.9
520800	contributions for Pension Insurance Fund – employees	50,389.09	8.1
520810	healthcare contributions – employees	28,553.36	4.6
520820	unemployment insurance contributions – employees	1,678.84	0.3
521100	contributions for Pension Insurance Fund - employer	18,475.45	3.0
521110	healthcare contributions – employer	12,765.48	2.0
521120	unemployment insurance contributions – employer	1,678.84	0.3
555200	surtax – salaries	4,571.22	0.7
556000	contributions for SSS, labour fund and people with disabilities	2,735.97	0.4
529902	assistance for employees in cases of death	1,500.00	0.2
529400	transport of employees	2,979.00	0.5
529100	jubilee awards	2,068.00	0.3
529901	winter bonus	8,400.00	1.3
529990	other remunerations for employees	3,590.00	0.6
total		382,015.43	61.2
Agency Council fees			
526000	Council fees	52,132.75	8.4
521010	Taxes	6,844.49	1.1
555220	Surtax	1,025.65	0.2
556901	Contributions for Pension Insurance Fund – Council	15,574.89	2.5
556902	Healthcare contributions - Council	2,068.48	0.3
total		77,646.26	12.4

Business trips and membership in int. org.			
529210	Business trip per diems	4,788.95	0.8
529230	Business trip fares	3,420.29	0.5
529220	Business trip accommodation	3,762.91	0.6
554000	Membership fees for international organisations	3,595.17	0.6
total		15,567.32	2.5

Expenses for maintenance of fixed assets			
512000	Material for maintenance of fixed assets	1,414.22	0.2
532000	Services for maintenance of fixed assets	1,498.24	0.2
532100	Car maintenance	2,007.92	0.3
531900	Insurance and registration of vehicles	2,164.23	0.3
513300	Fuel expenses	3,662.54	0.6
total		10,747.15	1.7

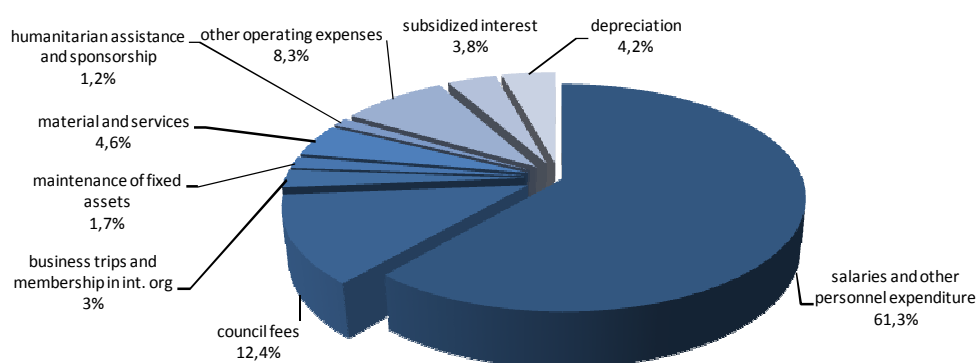
Expenses for material and services			
512100	Office supplies	5,441.33	0.9
512300	Stationery	2,529.46	0.4
551000	Expense account	5,945.51	1.0
531910	Insurance of employees	756.00	0.1
550900	Other non-production services	2,200.41	0.4
553000	Money transfer commissions	1,918.88	0.3
531210	Telephone	4,074.63	0.7
531200	Postal services	1,046.49	0.1
522000	Contracts and honorariums	4,240.00	0.7
521020	Other taxes and levies	281.70	0.0
555210	Surtax	43.26	0.0
554900	Training of employees	270.00	0.0
total		28,747.67	4.6

Humanitarian assistance and sponsorship			
559920	Sponsorship	4,649.00	0.7
559930	Humanitarian and solidarity support – donations	2,800.00	0.4
total		7,449.00	1.2

Other operating expenses			
559910	Advertising in the print media	5,099.44	0.8
559000	Administrative taxes	348.00	0.1
559950	Subscriptions for magazines, newspapers	3,577.47	0.6

	and portals		
559940	Premium hosting subscription	938.10	0.2
535000	Advertising	280.80	0.0
550300	Audit	2,340.00	0.4
559960	Other intangible costs	2,704.24	0.4
534000	Seminar attendance fees	261.80	0.0
533900	Organization of seminars (Digi.TV project)	1,699.10	0.0
548000	Reserved receivables	34,213.14	5.5
570500	Loss from fixed assets write-off	417.01	0.1
591100	Expenditure from previous years	150.00	0.0
	total	52,029.10	8.3
Housing issues of the employees			
562300	Subsidized interest	23,733.51	3.8
	total	23,733.51	3.8
Fixed assets depreciation			
562300	Depreciation	26,022.69	4.2
	total	26,022.69	4.2
	total	623,958.13	100.0

Graph: overview of revenue structure in 2011



In the reporting period, the Broadcasting Agency adhered to the adopted Financial Plan for 2011, and legal provisions regulating the status of the Agency and its operation.

The table below gives an overview of key business indicators and their comparison with the plan:

Type of expenditure	Planned	Actual	Index
gross salaries of employees	433,190.00	363,478.43	83.9
other remunerations	25,170.00	18,537.00	73.6
gross fees of Council members	85,957.00	77,646.26	90.3
business trips and membership fees for international organizations	29,400.00	15,567.32	53.0
materials and services	49,050.00	28,747.67	58.6
maintenance of fixed assets	12,600.00	10,747.15	85.3
other operating expenses	138,260.00	52,029.10	37.6
humanitarian assistance and sponsorship	10,000.00	7,449.00	74.5
subsidised interest	25,000.00	23,733.51	94.9
depreciation	30,000.00	26,022.69	86.7
reserve	40,431.00	-	-

The Agency has introduced saving measures for all expenditure items defined by the Financial Plan for 2011. Consequently, the planned expenditure of €879,058 has been reduced to €523,958, meaning that the amount of €355,100 has been saved, which accounts for a €40.4 percent decrease in expenditure.

Salaries and remunerations were paid on regular basis, in line with the Collective Agreement of the Agency for Electronic Media. The agreement defining the accounting rate of the gross salary coefficient and base (No. 435/1 of 4 April 2011) stipulates the accounting rate of coefficient at €208.96 a month, while the salary base is defined at €156.72 a month. The expenses for the salaries of employees amounted to a total of €363,478.43 in 2011, 16.1 percent less than planned. Given the difficult conditions for the Agency's financial operation in the first half of 2011, caused by a delay in the beginning of annual fee collection, the Director of the Agency for Electronic Media decided to reduce the salaries of the employees of the Agency for Electronic media for the period of six months in 2011. The salary reduction, compared with their planned level, resulted from a decrease in the accounting rate of the coefficient to €188.00 (a 10 percent reduction for the aforementioned period).

Business trip expenses include the expenses related to business trips in the country (transport, accommodation and per diems) and abroad (transport, accommodation and per diems). The expenses earmarked for the **membership in international organizations** include the expenses ensuing from the membership of the Agency for Electronic Media in the AIB and EPRA institutions. The expenses for this purpose amounted to €15,567.32, which is 47.0 percent less than planned, thanks to cost-effective approach to the funds allocated for this purpose.

In compliance with the Financial Plan of the Agency for Electronic Media for 2011 (No. 01-451 of 5 April 2011), the participation of representatives of the Agency for Electronic Media in the following international events was financed:

- EU-Montenegro Sub-Committee Meeting on Innovation, Human Resources, Information Society and Social Policy, organized in Brussels, Belgium by the European Commission (11-14 April 2011);
- Meeting of the regulatory authorities "Monitoring of Reality Shows," organized in Belgrade, Serbia by the Republican Broadcasting Agency of Serbia, (8 April 2011);
- 33rd EPRA meeting in Ohrid, Macedonia (24-28 May 2011);
- 34rd EPRA meeting in Brussels, Belgium (5-7 October 2010);
- Plenary Assembly of the Mediterranean Network of Regulatory Authorities in Malta (24-25 November 2011).

At the invitation of the organizers, which covered the transport and accommodation expenses, representatives of the Agency participated in the following events:

- Conference "Media Transformation – Digitalization and Development of New Media in the Western Balkan Countries," organized in Sarajevo, Bosnia and Herzegovina by the Embassy of the United States of America (17-20 February 2011);
- Conference "Media in Southeast Europe", organized in Berlin, Germany by the Friedrich Ebert Foundation (11-13 May 2011);
- Conference „Media Freedoms“, organized in Sarajevo, Bosnia and Herzegovina by the OSCE (13-14 October 2011);
- Conference "Political Parties and Media in Democracy," organized in Zagreb, Croatia by the National Democratic Institute (14-16 October 2011).
- International seminar "South East Europe 20 Years On: Transformation from State to Public Broadcasting," organized in Sarajevo, Bosnia and Herzegovina by the European Commission (13-14 November 2011).

Within the framework of the "SEE Digi.TV," under the auspices of the Delegation of the European Union to Podgorica (which covered the expenses), Agency representatives participated in the following events:

- Meeting of the Supervisory Committee (SC) and the Executive Board (EB), organized in Ljubljana, Slovenia by the Post and Electronic Communications Agency of the Republic of Slovenia (17-20 April 2011);
- Meeting of the Executive Board (EB), held in Vienna, Austria (16-19 May 2011);
- Meeting of the Executive Board (EB) and Technical Meeting, organized in Pržno, Budva by the Agency for Electronic Media of Montenegro and the Agency for Electronic Communications and Postal Service (26-27 September 2011);
- Meeting of the Executive Board (EB), Organized in Gorizia, Italy by the partner organization INFORMEST (17-18 November 2011).

Expenses for material and services include the expenses for office supplies, advertising material, stationary, expense account, insurance premiums for employees, non-production services, money transfer commissions, other taxes and contributions, telephone and postal services, contracted services and training of employees. Thanks to cost-effective approach to the funds allocated for this purpose, this expenditure amounted to €28,747.67, 41.40 percent less than planned;

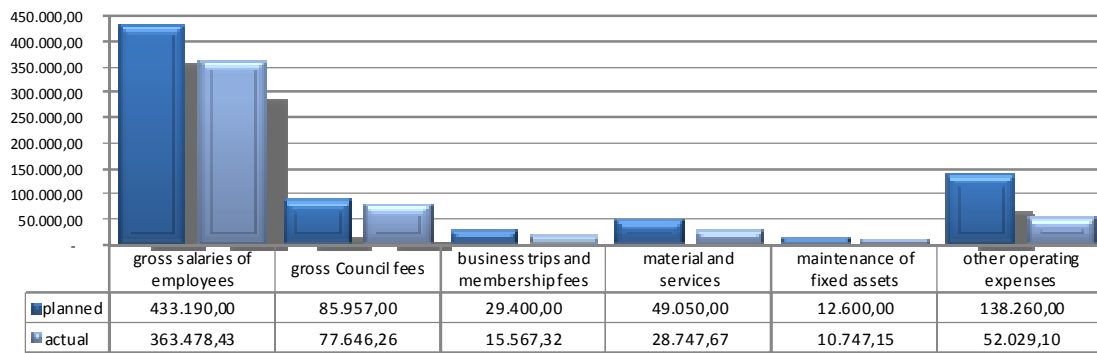
Expenses for maintenance of fixed assets include the expenses for the services of maintenance of fixed assets, service and maintenance of vehicles, fuel, lubricants, insurance and registration of vehicles. Their level was 14.7 percent lower than planned;

Other operating expenses include the expenses for advertising, administrative charges, balance sheet audit, other intangible costs, and subscription to magazines, newspapers and news agencies. Because of a delay in adoption of the necessary bylaws, and a delay in collection of fees based on the issued licences, the Agency has not completed the AVM service market research, and modernization of the existing computer network, planned for 2011. As a result, the expenses for these purposes amounted to €52,029.10, which is 62.4 percent less than planned.

In 2011, the Agency allocated €23,733.51 for **subsidized interest for housing loans**, on the basis of a credit agreement for the housing issues of employees, signed with the Crnogorska komercijalna banka (CKB). In compliance with the decisions on addressing housing issues of the employees, fifteen employees obtained loans from CKB in 2007, with the repayment period of 15 and 20 years, with the obligation of the Agency to cover a part of liabilities on the basis of subsidization of interest, pursuant to the Rulebook on Addressing Housing Issues of the Broadcasting Agency Employees (No. 01-288 of 29 January 2007).

In 2007, the Agency allocated, according to its possibilities, funds for **humanitarian assistance – donations and sponsorship**, based on the justified humanitarian requests continuously submitted to the Agency, which shows a socially responsible attitude of the Agency.

Graph: overview of expenses in comparison with the plan



Balance sheet as at 31 December 2011

account group, account	position	current year	previous year
	A. UNPAID REGISTERED CAPITAL	-	-
	B. FIXED ASSETS	93,542	118,126
012	I GOODWILL	-	-
01 excl. 012	II INTANGIBLE INVESTMENTS	14,928	34,365
	III REAL ESTATE, FACILITIES, EQUIPMENT	78,614	83,761
020, 022, 023, 026, 027 (part), 028 (part), 029	1. Real estate, facilities, equipment	78,614	83,761
	IV LONG-TERM FINANCIAL INVESTMENTS	-	-
288	C. DEFERRED TAX ASSETS	-	-
04	D. FIXED ASSETS INTENDED FOR SALE	-	-
	E. CURRENT ASSETS	1,067,080	595,983
10, to 13, 15	I SUPPLIES	-	-
	II SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH	1,067,080	595,983
20, 21, 22 excl. 223	1. Receivables	433,493	50,812
223	2. Receivables from the profit tax refund	-	-
23 minus 237	3. Short-term financial investments	-	-
24	4. Cash equivalents and cash	633,587	454,171
27 and 28 excl. 288	5. Value added tax and AVR	-	-
	F. TOTAL ASSETS	1,160,622	714,109
	A. CAPITAL AND RESERVES	1,065,186	540,691
30	I CORE CAPITAL	540,691	563,626
31	II UNPAID REGISTERED CAPITAL	-	-
32	III RESERVES	-	-
330, 331 and 333	IV POSITIVE REVALUATION RESERVE AND UNCOLLECTED PROCEEDS BASED ON FINANCIAL ASSETS INTENDED FOR SALE	-	-
332 and 334	V NEGATIVE POSITIVE REVALUATION RESERVE AND UNCOLLECTED PROCEEDS BASED ON FINANCIAL ASSETS INTENDED FOR SALE	-	-
34	VI UNDISTRIBUTED PROFIT	524,495	-
35	VII LOSS	-	(22,935)
237	VIII OWN SHARES PURCHASED AND OWN STAKES PURCHASED	-	-
	B. LONG-TERM RESERVES AND LONG-TERM LIABILITIES	-	-
40 (part)	I LONG-TERM RESERVES	-	-
41	II LONG-TERM LIABILITIES	-	-
414, 415	1. Long-term loans	-	-
41 excl. 414, 415	2. Other long-term liabilities	-	-
498	C. DEFERRED TAX LIABILITIES	-	-
	D. SHORT-TERM RESERVES AND SHORT-TERM LIABILITIES	95,436	173,418
	I SHORT-TERM LIABILITIES	95,436	173,418
42, excl. 427	1. Short-term financial liabilities	-	-
43 and 44	2. Operating liabilities	80,577	166,972
45, 46, 49 excl. 498	3. Other short-term liabilities and PVR	14,859	6,446
40 (part)	II Short-Term Reserves	-	-
	E. TOTAL LIABILITIES	1,160,622	714,109

On the basis of the balance sheet as at 31 December 2011, the value of total assets amounted to €1,160,622. Fixed assets, amounting to €93,542, accounts for 8.1 percent of the total assets, and includes intangible (16.0 percent) and tangible assets (84 percent).

Current assets, worth €1,067,080, account for 91.9 percent of the total assets, and include receivables from buyers (41.0 percent) and cash and cash equivalents (59.0 percent).

Total receivables transferred from 2010 amounted to €50,812.37, while total receivables as at 31 December 2011 amounted to €433,492.54. Out of that amount, €373,798.55 accounts for receivables from broadcasters, €53,015.02 for receivables from providers of on-demand AVM services (CDS/MMDS/IPTV/DTH operators), €2,533.00 for receivables based on advance payments for business trips, €2,179.54 for receivables from public authorities for reimbursement of salaries during the maternity leave. Receivables based on down payments, amounting to €760.27, are related to down payments to suppliers and a deposit for the Maestro Business Card, amounting to €1,206.16.

The total value of financial transactions over the bank account was €1,238,740.91, the one over the cash register was €11,600.58, and while the one over the foreign currency account was €60,575.70.

Total liabilities amounted to €1,160,622. The Agency's capital is worth €1,065.186, including:

- the capital provided by the Government of Montenegro as start-up funds for the Agency, amounting to €436,165.38,
- equipment taken over from the Republican Secretariat of Information, worth €64,031.29,
- equity
- undistributed profit, amounting to €524,494.78.

Because of a very unfavourable financial situation in the Agency, caused by the abolishment of all stable and sustainable sources of financing at the beginning of 2009, the Agency Council adopted the Decision on Covering the Losses (No. 01-375 of 24 March 2011), registered at the end of 2009, amounting to €634,413.63, and the losses registered at the end of 2010, amounting to €483,065.18, from the undistributed profit from previous years, amounting to €1,094,543.45 and from a part of its equity amounting to €22,935.36

Total liabilities of the Agency amounted to €95,436.01, out of which €1,358.41 accounts for liabilities to suppliers, €78,338.95 for liabilities for the received down payments, and €879.46 for the down payments made by clients. Other short-term liabilities include: a deferred income for the donated equipment, amounting to €5,135.30, reduced by depreciation, and a deferred income amounting to €9,723.89, coming from a donation of the European Commission for the "SEE Digi.TV" project, reduced by the funds spent during 2011.

The liabilities based on the received down payments, amounting to €78,338.95, are related to the funds belonging to the Fund for Assistance to Local Public Broadcasting Services: from the tax on radio-receivers in motor vehicles, amounting to €5,386.68, the licence fee collected by Crnogorski Telekom a.d, amounting to €66,228.30, and the licence fee collected by Elektroprivreda Crne Gore a.d, amounting to €6,723.97.

During 2011, implementation of a decision on payment of funds to RTV Ulcinj from the Funds for Assistance to Local Public Broadcasting Services continued, in compliance with previous decision of the Council and Director of the Agency, allocating the funds for the period between 6 June 2006 and 1 August 2006, amounting to €2,491.20 on the basis of the tax on radio receivers, and €4,508.80 on the basis of the licence fee.

Comparing the aforementioned liabilities with the value of the current assets of €1,067,080, it can be concluded that the Agency is solvent, and that its liquidity has never been called into question.

III Cash flow balance from 1 January to 31 December 2011

position	current year	previous year
A. OPERATIONAL CASH FLOW		
I Cash inflow from business activities (1 to 3)	646,956	87,326
1. Sales and received down payments	-	-
2. Interest received from business activities	-	-
3. Other regular income	646,956	87,326
II Cash outflow from business activities (1 to 5)	(558,489)	(544,226)
1. Payment to suppliers and down payments	(66,932)	(77,126)
2. Salaries and other remunerations	(467,823)	(442,074)
3. Interest paid	(23,734)	(25,026)
4. Profit tax	-	-
5. Payments based on other public revenues	-	-
III Net operational cash flow (I-II)	88,467	(456,900)
B. INVESTMENT CASH FLOW		
I Investment cash inflow (1 to 5)	1,806	9,993
1. Sale of shares and stakes (net inflow)	-	-
2. Sale of intangible investments, real estate, facilities, equipment, and biological assets	-	951
3. Other financial investments (net inflow)	-	-
4. Interest received from financing	1,806	9,042
5. Dividend received	-	-
II Investment cash outflow (1 to 3)	(1,857)	(1,082)
1. Purchase of shares and stakes (net outflow)	-	-
2. Purchase of intangible investments, real estate, facilities, equipment and biological assets	(1,857)	(1,082)
3. Other financial investments	-	-
III Net investment cash flow (I-II)	(51)	(8,911)
C. CASH FLOW FROM FINANCING		
I Cash inflow from financing (1 to 3)	-	-
1. Capital increase	-	-
2. Long-term and short-term loans (net inflow)	-	-
3. Other long-term and short-term liabilities	-	-
II Cash outflow from financing (1 to 4)		
1. Own shares and stakes purchased	-	-
2. Long-term and short-term loans and other liabilities (net outflow)	-	-
3. Financial leasing	-	-
4. Dividends paid	-	-
III Net cash flow from financing	-	-
D. NET CASH FLOW	88,416	(447,989)
E. CASH AT THE BEGINNING OF THE REPORTING PERIOD	545,171	993,160
H. CASH AT THE END OF THE REPORTING PERIOD	663,587	545,171

CONCLUSION

The purpose of the Financial Report of the Agency for Electronic Media for 2011 is to provide an overview of the entire process of the Agency's operation. The Report is based on the relevant business indicators in line with the Law on Accounting and Auditing of Montenegro and the Decision on Direct Implementation of International Accounting Standards. It has been structured in such a way as to provide a complete and precise elaboration of the manner of financing, allocation of funds, and the effects thereof, taking into consideration all circumstances of the Agency's operation.

The total revenues of the Agency for Electronic Media in 2011 amounted to €1,148,452.91, which was in line with the plan, with the total expenditure of €623,958.13, which is €355,100 or 40 percent lower than planned, and a positive balance of €524,494.78.

The Agency for Electronic Media managed to provide efficient operation and meet the planned objectives, keeping its expenditure lower than planned. This result was achieved due to permanent internal control, monthly analyses of income and expenditure and monitoring of business liquidity.

Report submitted by:

Svetlana Raonić, Chief Accountant

DIRECTOR

Abaz Beli Džafić

Annexes:

- Overview of receivables from commercial broadcasters (radio and TV broadcasters) as at 31 December 2011
- Overview of receivables from on-demand AVM service providers (CDS/MMDS/IPTV/DTH operators) as at 31 December 2011
- Overview of receivables from previous AVM service providers

Annex: Overview of receivables from commercial broadcasters as at 31 December 2011

account	BROADCASTER	receivables from 2010	invoiced (1 Jan. – 31 Dec)	collected (1 Jan. – 31 Dec)	receivables as at 31 Dec 2011
202201	RADIO CORONA	-	7,356.07	-	7,356.07
202202	TV IN	-	48,327.64	12,395.36	35,932.28
202207	RADIO D	-	8,617.08	8,617.08	-
202208	RADIO 083	-	4,309.93	3,000.00	1,309.93
202209	TV MBC	-	31,394.12	-	31,394.12
202210	RADIO SVETIGORA	-	7,054.44	-	7,054.44
202211	RADIO DELFIN	-	16,371.36	13,401.24	2,970.12
202213	RADIO PANORAMA	-	1,202.60	-	1,202.60
202214	TV BOIN	-	3,970.48	684.27	3,286.21
202215	RADIO JUPOK	999.00	2,130.44	532.61	2,596.83
202216	TV ELMAG	1,018.79	27,001.28	-	28,020.07
202218	TV GLAS PLAVA	-	1,527.20	76.36	1,450.84
202219	RADIO MONTENA	7,664.35	8,704.00	-	16,368.35
202220	NTV MONTENA	-	20,895.88	-	20,895.88
202221	TV ATLAS	-	36,020.92	5,000.00	31,020.92
202222	RADIO ANTENA M	-	11,574.80	-	11,574.80
202223	RADIO ZETA	-	1,742.24	87.11	1,655.13
202224	TV PINK M	-	39,543.92	24,885.98	14,657.94
202225	RADIO GORICA	1,966.47	1,733.56	-	3,700.03
202228	TV APR	-	5,252.88	-	5,252.88
202229	RADIO OZON	-	1,105.52	-	1,105.52
202231	RADIO MOJKOVAC	404.25	1,125.08	56.25	1,473.08
202232	RADIO D PLUS	-	10,959.84	10,959.84	-
202233	TV TEUTA	-	14,925.75	2,553.23	12,372.49
202234	TV PANORAMA	-	5,246.28	-	5,246.28
202235	RADIO SKALA	-	3,468.11	3,468.11	-
202236	RADIO Z	201.41	1,280.60	1,482.01	-
202237	RADIO BORKIS	1,181.29	1,733.56	3,551.85	-
202238	TV EHOO	18.72	1,788.14	-	1,806.86
202239	NTV ORION	1,121.67	1,804.92	-	2,926.59
202240	RADIO CITY	990.40	1,733.56	-	2,723.96
202241	RADIO ELITA	-	1,094.66	1,094.66	-
202242	RADIO BOOM	-	4,877.00	243.55	4,633.45
202244	RADIO LUNA	2,662.71	827.35	-	3,490.06
202245	TV SUN	-	11,256.24	6,190.93	5,065.31
202246	RADIO GLAS PLAVA	-	828.12	41.41	786.71
202247	RADIO ELMAG	10,331.22	18,701.66	-	28,701.66
202248	RADIO ATLAS	6,000.01	20,425.28	4,822.31	21,602.98
202249	RADIO MORE	-	10,597.32	1,049.22	9,530.10
202251	RADIO SKADAR LAKE	909.00	1,765.08	88.25	2,585.83
202252	RADIO S	2,756.25	-	-	2,756.25
202253	RADIO DRS	2,086.51	1,765.06	3,851.57	-
202254	RADIO COOL	-	1,733.56	1,733.56	-
202255	RADIO PONTA	-	2,780.52	240.27	2,540.25
202256	RADIO PLUS	-	1,178.20	1,778.11	-563.91
202257	RADIO F	3,025.70	1,262.35	4,288.05	-

202258	RADIO ADRIATIC	-	1,178.20	1,178.20	-
202259	RADIO GUSINJE	693.92	828.12	414.06	1,107.98
202262	PRO TV	-	25,305.68	25,305.68	-
202263	PRO FM	-	21,038.92	21,038.92	-
202267	RADIO IN	-	9,347.88	934.79	8,413.09
202268	TV VIJESTI	-	43,722.88	20,000.00	23,722.88
202269	TV MOJKOVAC	606.40	1,818.52	90.93	2,333.99
202270	TV CORONA	-	4,455.51	-	4,455.51
202271	RADIO DUX	-	1,857.76	1,857.76	-
202272	RADIO JADRAN	485.10	4,459.80	708.09	4,236.81
202273	RADIO VIJESTI	-	16,640.16	-	16,640.16
202274	RADIO AMIGO	889.36	2,271.12	-	3,160.48
202275	TV LUTRIJA CRNE GORE	-	10,469.20	10,469.20	-
202276	SRPSKA TV	-	10,469.20	523.46	9,954.74
202277	RADIO ROMSKI	-	2,830.92	2,830.92	-
202204	TV BUDVA	181.91	-	-	181.91
202266	RADIO BUDVA	146.28	-	-	146.28
				TOTAL	390,978.33

Annex: Overview of receivables from on-demand AVM service providers (CDS/MMDS/IPTV/DTH operators) as at 31 December 2011

account	OPERATOR	receivables from 2010	invoiced (1 Jan. – 31 Dec)	collected (1 Jan. – 31 Dec)	receivables as at 31 Dec 2011
202287	MEDIA NET	-	1,720.60	-	1,720.60
202288	CRNOGORSKI TELEKOM	16.68	130,664.56	130,664.56	16.68
221089	BBM	150.00	120,406.72	94,300.00	26,256.72
202291	CABLING	-	27,570.04	13,785.02	13,785.02
202294	ELTA MONT	-	5,476.11	5,476.11	-
202296	MONTENEGRO KABL	-	22,472.00	11,236.00	11,236.00
202299	TOTAL TV	-	117,850.48	117,850.48	-
				TOTAL	53,015.02

Annex: Overview of receivables from previous AVM service providers

Contentious receivables the execution of which has been requested from the Commercial Court, including the collection of debt, interest and costs of the proceedings:

account	BROADCASTER	receivables from 2010	invoiced (1 Jan. – 31 Dec)	collected (1 Jan. – 31 Dec)	receivables as at 31 Dec 2011
202205	RADIO FREE MONTENEGRO	13,106.75	-	-	13,106.75
202206	RADIO MIR	48.93	-	-	48.93
202217	RADIO FOKUS	2,717.36	-	-	2,717.36
202226	RADIO M	3,111.85	-	-	3,111.85
202227	RADIO MAX	1,318.49	-	-	1,318.49
202230	RADIO BUSSOLA	3,678.44	-	-	3,678.44
221043	RADIO HARIZMA	846.80	-	-	846.80
202250	RADIO KOM	2,902.79	-	-	2,902.79
202260	TV LUNA	2,793.84	-	-	2,793.84
221092	PTT INZENJERING	21,825.63	-	-	21,825.63
				TOTAL	52,350.88