



FINANCIAL REPORT OF THE BROADCASTING AGENCY

from 2003 to 2007

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Financial Report of the Broadcasting Agency from 2003 to 2007, was drafted on the occasion of the 5th anniversary of its work, and its purpose is to provide access to all interested parties to the entire business operation of the Agency. The report is based on the relevant business indicators of the Agency and regular annual reports adopted by the Broadcasting Agency Council and drafted in compliance with the Law on Accounting and Audit of Montenegro and Decision on Direct Application of International Accounting Standards. It has been structured in such a way to provide a complete elaboration of the manners of financing, allocation of funds and effects thereof, taking into consideration all circumstances of the Agency's operation.

The aim of the report is to show that the transparency of business operation and expenditure has been the main principle the Agency based its work on, and successfully fulfilled its duties and status in the previous period within the broadcasting system of Montenegro.

Provisions of the Broadcasting Law prescribe the financial activities directed to and designed as a support to the independent operation of the Broadcasting Agency. It is prescribed that the Agency acquires the funds necessary for its activities from:

- ✧ fees for registration of broadcasters;
- ✧ fees for registration of legal entities that have been granted licence for development and use of distribution systems;
- ✧ fees for licences for the transmission and broadcasting of radio and TV signals (hereinafter referred to as: frequency fee/income);
- ✧ fees for licences for the development and use of distribution systems;
- ✧ a part of broadcasting fee;
- ✧ a part of tax on radio receivers in motor vehicles;
- ✧ a part of income of the company for transmission and broadcasting of radio and TV signals, in compliance with the decision of the Council;
- ✧ other sources in compliance with the Broadcasting Law.

Given that all funding sources were not established during the first several years, it was an objective limitation for the achievement of ambitious objectives. Having introduced new platforms for programme offer (CDS, MMDS, IPTV, DTH), the Agency has provided additional business stability, access to additional funding sources, as well as the basis for a new investment cycle, thus providing additional potentials for a strong growth in the forthcoming period.

In compliance with its Statute, the Agency has prepared reports on its business operation, which were considered and adopted by the Agency Council, and sent to the interested broadcasters and citizens. Using already adopted biannual and annual financial reports, the Agency makes this five-year report available to a wide range of interested parties with the aim of promoting the transparency of its work.

FINANCIAL INDICATORS

The income of the Broadcasting Agency increased from 2003 to 2007, reaching the level of the total income of over €1.3 million. With its successful, clearly defined long-term strategy and vision, recognising and predicting global trends, it has secured its place in the regulation of the broadcasting system of Montenegro.

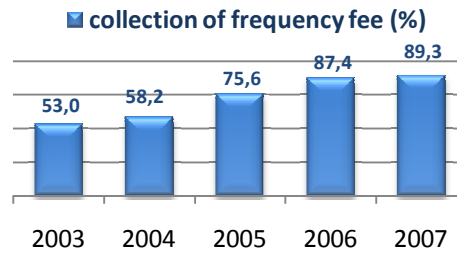
Income statement

serial number	position	2003	2004	2005	2006	2007
1	Membership fees	-	-	-	-	-
2	Income from remitted funds	-	-	-	-	-
3	Other income from regular activities	105,914	528,517	703,980	811,282	1,392,203
4	Expenditure of employees	86,069	317,852	362,207	403,683	485,200
5	Depreciation expenses	-	18,478	27,387	40,574	40,836
6	Detraction of real estate, facilities and equipment value	-	-	-	-	-
7	Other business expenditure	13,750	139,014	174,008	246,312	224,744
	Profit from business activities	6,095	53,173	140,378	120,713	641,423
8	Net financial expenses	47	4,115	10,935	21,103	4,243
9	Profit tax	-	-	-	-	-
10	Net profit/loss from discontinued operation	-	-	-	-	-
	Net profit for the accounting period	6,142	57,288	151,313	141,816	645,666

Income of the Agency

Income from the regular business activities was higher every year, enabling the total expenditure of the Agency's business activities to be completely covered. Income of the Agency is realised on the basis of a part of tax on radio receivers, monthly fees for licences for transmission and broadcasting of radio and TV signals, a part of broadcasting fee, monthly licence fees for development and use of distribution systems, regular interest, as well as other business income.

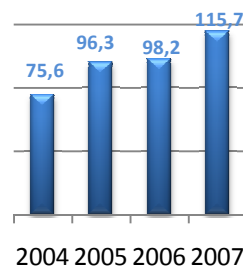
◆ Income from fees for licences for transmission and broadcasting of radio and TV signals is given according to the invoiced value and recorded monthly regardless of the use of frequency up to the moment of expiry of the licence for transmission and broadcasting of radio and TV signals.



◆ Income from the tax on use of radio receivers in motor vehicles is registered after the collection and accounts for 5% of the total funds paid by the owners of motor vehicles during the registration to the bank account of the Agency.

◆ Income from the broadcasting fee includes the income invoiced to the households and legal entities that have radio or TV receiver by the Telecom of Montenegro on behalf of the Agency. The aforesaid income is registered after the collection and accounts for 5% of the total collected funds.

■ collection of broadcasting fee (%)



◆ Income from the licence fees for the development and use of CDS/MMDS distribution systems are given according to the invoiced amounts and calculated on the basis of the proposed percentage of income realised on the basis of distribution of radio and TV programmes. The fee for CDS operators, for the period from the expiry of grace period until the end of the calendar year when the payment of the annual fee has began, shall be determined on the basis of the number of CDS connections projected for the first year, while the fee for MMDS operators for the same period shall be determined on the basis of the Book of Rules on the Level, Manner of Determination and Payment of Fees for Licences for the Transmission and Broadcasting of Radio and TV Signals.

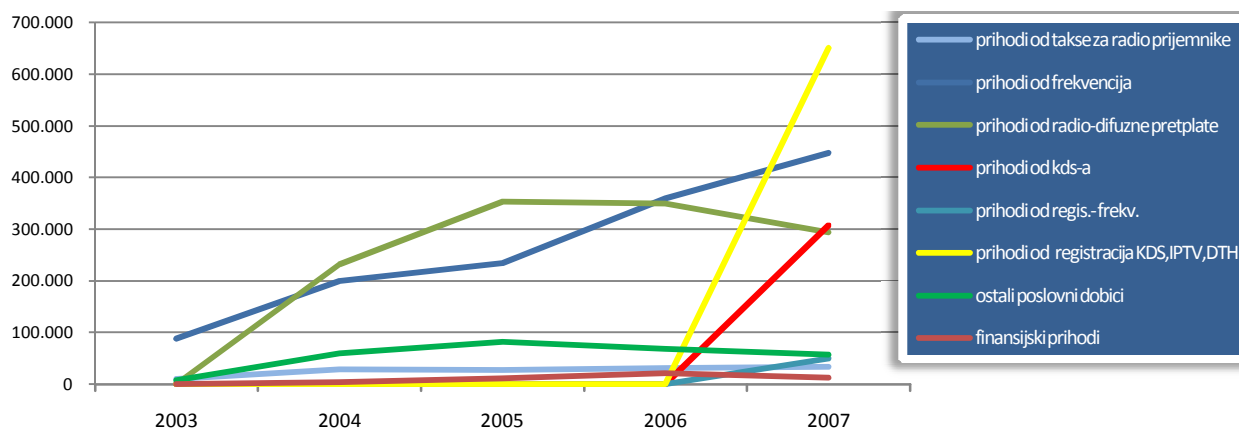
◆ Income from the licence fees for the distribution of radio and TV programmes to the end users by means of public fixed telecommunication networks and satellite distribution systems shall be determined by the Agency for the current year, at the level of 5% of the total annual income of the operators on the basis of provision of these services during the previous calendar year.

◆ Other business proceeds include the income from donations, commissions, processing of tender applications and other documentation, rental of the translation equipment. The said income is registered in the period when it took place.

Table 1: analytic overview of income from 2003 to 2007

account	position	2003		2004		2005		2006		2007	
		amount(€)	%	amount (€)	%	amount (€)	%	amount (€)	%	amount (€)	%
611020	Tax on radio receivers	10,144.36	9.6	28,690.56	5.5	27,066.65	3.8	31,813.58	3.8	34,307.32	2.4
611021	Frequencies	88,124.96	83.2	200,291.05	38.2	234,280.73	32.8	360,069.26	43.3	447,632.01	31.9
611022	Broadcasting fee	-	-	232,108.48	44.2	353,631.96	49.5	349,234.08	42.0	293,670.34	20.9
611024	CDS	-	-	-	-	-	-	737.70	0.1	307,891.48	21.9
611025	Registration – frequen.	-	-	-	-	-	-	-	-	49,580.87	3.5
613010	Other business proceeds	7,644.00	7.2	60,490.01	10.0	89,000.66	12.4	60,773.16	7.3	57,556.21	4.1
613011	Registration - CDS	-	-	-	-	-	-	-	-	51,564.78	3.7
613012	Registration - IPTV	-	-	-	-	-	-	-	-	75,000.00	5.3
613013	Registration - DTH	-	-	-	-	-	-	-	-	75,000.00	5.3
626170	Income from previous years	-	-	6,937.42	1.3	-	-	8,653.84	1.0	-	-
776070	Default interest	46.92	-	4,115.37	0.8	10,482.95	1.5	21,158.13	2.5	12,842.56	0.9
777020	Positive exchange difference	-	-	-	-	473.12	0.1	37.94	0.0	-	-
total		105,960.24		532,632.89		714,936.07		832,477.69		1,405,045.57	

Graph 1: income from 2003 to 2007



Expenditure of the Agency

A broader scope of activities related to regulation and monitoring of the broadcast media and operators distributing radio and TV programme to end users by means of distribution systems have caused increased business expenditure in the previous period. The Agency outlines its annual requirements in its financial plans adopted by the Agency Council upon the proposal of the Agency Director, not later than three months prior to the beginning of each financial year. In the reporting period, the Agency adhered to the adopted financial plans, keeping its expenditure lower than planned.

Table 2: analytic overview of expenditure from 2003 to 2007

	position	2003		2004		2005		2006		2007	
		amount(€)	%	amount (€)	%	amount (€)	%	amount (€)	%	amount (€)	%
1.	Salaries and other personnel expend.	74,652.19	74.8	244,218.10	51.4	301,302.47	53.5	359,933.99	52.1	453,684.35	59.7
2.	Agency Council fees	-	-	48,036.18	10.1	42,446.10	7.5	43,748.45	6.3	38,220.12	5.0
3.	Other remunerations	-	-	-	-	18,458.64	3.3	-	-	-	-
4.	Business trips and membership fees for int. org.	-	-	25,598.57	5.4	38,794.11	6.9	76,271.08	11.0	50,059.71	6.6
5.	Maintenance of fixed assets	-	-	20,588.18	4.3	15,970.05	2.8	18,307.64	2.7	21,127.10	2.8
6.	Other business expenses	21,648.94	21.7	93,356.73	19.6	91,851.25	16.3	52,453.27	7.6	60,121.05	7.9
7.	Goods, raw materials and materials	3,517.90	3.5	25,069.19	5.3	27,414.22	4.9	99,372.21	14.4	95,330.92	12.6
8.	Depreciation	-	-	18,477.94	3.9	27,386.72	4.9	40,574.54	5.9	40,836.32	5.4
	total	99,819.03		475,344.59		563,623.56		690,661.18		759,379.57	

- **gross salaries of employees** are the highest expenditure item, but also a key factor of the successful work of the Agency, which now has 26 employees (23 permanent and 3 temporary employees). The Agency is a unique organisation that has been successful in all segment of its operation. A special emphasis was placed on the staff training and learning of foreign languages, and reaction to short-term and long-term needs in business operation, aimed at efficient fulfilment of its tasks.

- **Agency Council fees** are defined by the Agency bylaws and calculated on the basis of the average salary of the employees.

- **other remunerations of employees** including the meals and transportation of the employees, summer holiday and winter bonus and other remunerations determined according to the norms and standards, i.e. Individual Collective Agreement.

- **business trips and membership fees** include the business trip expenses in the country, business trip expenses abroad and expenses of the membership in international organizations. In order to follow the international regulations and comply with them, the employees have established cooperation with the relevant international organizations and institutions and actively participated in their work.

- **expenses for material and services** include office supplies, advertising material, stationeries, bank commission, commission for the broadcasting fee collection, telephone services, expense account, insurance premiums for the equipment and employees, postal services, costs for contracted services.

- **expenses for the maintenance of fixed assets** include the costs for the registration and maintenance of vehicles, fuel, service and repairs, fixed assets maintenance services and material for the fixed assets maintenance. They are based on the average annual expenses for the maintenance and planned investments.

- **other business expenses** include the expenses for advertising, administrative taxes, subscription to magazines and newspapers, financial report audit and other non-material expenses, expenses for the building security and maintenance, and for the extension and redesigning of web site.

- **depreciation costs** calculated for fixed assets the Agency received as the initial financing and fixed assets acquired since the beginning of work of the Agency.

Graph: expenditure from 2003 to 2007

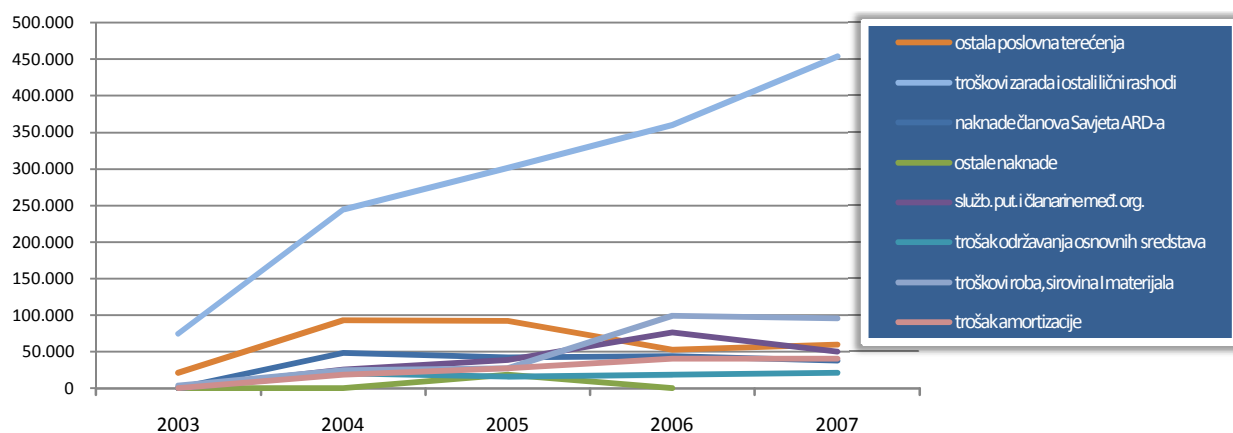


Table 3: analytic overview of income and expenditure from 2003 to 2007

	2003	2004	2005	2006	2007
income	105,960.46	532,632.89	714,936.07	632,477.69	1,405,045.57
expenditure	99,819.03	475,344.59	563,623.56	690,661.18	759,379.57
difference	6,143.43	57,288.30	151,312.51	141,816.51	645,660.00

Balance sheet

Serial No.	Position	2003	2004	2005	2006	2007
	ASSETS					
	Permanent property	1,215	65,515	197,779	200,721	178,028
1.	Non-material property			58,582	55,928	53,939
2.	Real estate, facilities and equipment	1,215	65,515	139,197	144,793	124,089
3.	Permanent property intended for sale	-	-	-	-	-
4.	Long-term receivables	-	-	-	-	-
5.	Long-term financial investments	-	-	-	-	-
6.	Deferred taxes	-	-	-	-	-
	Revolving assets	191,179	1,011,496	1,293,83	1,469,00	2,140,802
7.	Supplies	-	5,099	-	-	-
8.	Receivables from buyers	47,655	106,877	35,144	53,527	260,898
9.	Short-term financial investments	-	-	-	-	-
10.	Cash and cash equivalents	143,524	899,520	1,258,686	1,415,473	1,879,904
11.	Expenses paid in advance	-	-	-	-	-
12.	Invoiced uncollected income	-	-	-	-	-

13.	Other revolving assets	-	-	-	-	-
	Total assets	192,394	1,077,011	1,491,609	1,669,721	2,318,830
	LIABILITIES	-	-	-	-	-
	Capital and reserves	95,221	563,625	714,939	856,755	1,502,421
14.	Registered capital	90,000	506,388	563,626	563,626	563,626
15.	Revalorization reserve	-	-	-	-	-
16.	Other reserves	-	-	-	-	-
17.	Undistributed profit/loss	5,221	57,288	151,313	293,129	938,795
	Long-term liabilities	45,000	9,367	26,135	21,672	17,209
18.	Long-term liabilities	-	-	-	-	-
19.	Deferred taxes	-	-	-	-	-
20.	Long-term reserves	-	-	-	-	-
21.	Other long-term liabilities	-	-	-	-	-
22.	Deferred income	45,000	9,367	26,135	21,672	17,209
	Short-term liabilities	52,173	513,385	750,535	791,294	799,200
23.	Short-term business liabilities	51,252	504,018	750,535	791,294	799,200
24.	Short-term financial liabilities	-	-	-	-	-
25.	Current part of long-term credits	921	-	-	-	-
26.	Tax liabilities	-	-	-	-	-
27.	Short-term reserves	-	-	-	-	-
28.	Balanced liabilities	-	-	-	-	-
	Total liabilities	192,394	1,077,011	1,491,609	1,669,721	2,318,830

Together with good business results, it is important to point out that a continuity of investment activities was maintained in the period from 2003 to 2007. In line with the long-term plans, the investments were directed to the modernisation of the IT equipment and software support in all sectors of the Agency, specialized software tools necessary for the operation of the Technical Sector, instruments for the frequency spectrum monitoring, programme monitoring equipment, procurement of off-road vehicles, and modernization of the Agency offices, as well as to the training of the employees.

Value of the assets from the balance sheet was higher every year. The Agency used the surplus of income over expenditure for the investments foreseen by the financial plans and aimed at the creation of conditions for the fulfilment of the Agency duties.

The capital of the liabilities from the balance sheet increased. The capital of the Agency includes the capital provided by the Government of Montenegro as the initial operational funds to the amount of €436,165.28, while the amount of €64,031.29 was taken over from the Republican Secretariat of Information, while the Agency's own capital amounts to €63,429.73.

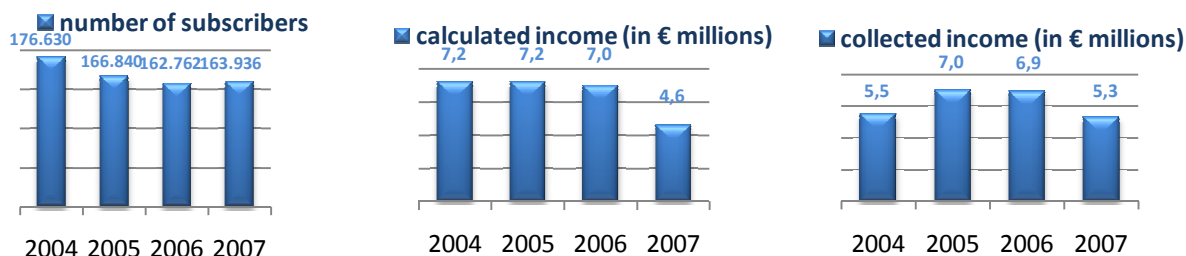
Total debts of the Agency account for liabilities to suppliers, liabilities to funds from broadcasting fees and tax on radio receivers in motor vehicles, for the advance payments paid by buyers. Comparing the aforementioned liabilities with the value of the revolving assets, it may be concluded that the Agency is solvent, and that its liquidity has never been jeopardized.

Broadcasting fee

The Broadcasting Law prescribes that every household and legal person, with the seat on the territory of the Republic, have the obligation to pay broadcasting fee where the technical conditions have been provided for the reception of at least one radio or TV channel, and in case they own radio or TV set. In

February 2004, the Broadcasting Agency Council adopted the Decision on the Level of Broadcasting Fee in Montenegro to the amount of **€3.5**.

Since 2004, the Telecom of Montenegro, the Agency has a collection contract with, is in charge of the collection. The Telecom's commission for the service of collecting broadcasting fee was €0.21 (6%) per telephone bill that included the broadcasting fee in the amount of €3.5. Broadcasting fee collection rate from subscribers by Telecom was 90.6 %, while the Agency's collection rate from Telecom for the same fee amounts to 100.0%



The funds collected from the broadcasting fee have been distributed to the Republican public broadcasting services (75%), Agency's Fund for the Support of Local Public Broadcasting Services (10%), Agency's Fund for Support of Commercial Broadcasting Services (10%) and the Agency (5%). The distribution of funds is periodically done by the Agency Council on the basis of public tender and in compliance with a separate document.

In the period from 1 March 2004 to 31 December 2007, the Broadcasting Agency collected the funds from the broadcasting fee to the amount of €24,985,595.45.

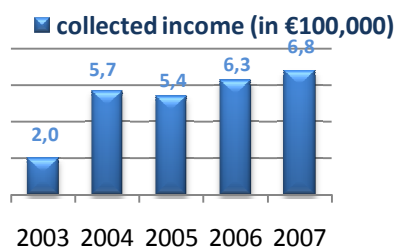
In compliance with the Law, these funds were allocated to the following beneficiaries:

- Radio-Television of Montenegro (radio and TV)..... €17,482,297.38;
- Fond for support of local public broadcasters (radio and TV)..... €2,280,112.31;
- Fund for support of commercial broadcasters (radio and TV)..... €2,280,112.31;
- Broadcasting Agency..... €1,165,486.42;
- Broadcasting Centre..... €101,721.47.

The commission of €1,675,865.56 was paid to the Telecom of Montenegro for the service of the broadcasting fee collection.

Tax on radio receivers in motor vehicles

At the session held on 26 June 2003, the Agency Council adopted the Decision on the Collection Procedure and the Level of the Tax on Radio Receivers in Motor Vehicles to the amount of €6. The Agency started collecting the tax on radio receivers in motor vehicles on 1 September 2003.



In the period from 1 September 2003 to 31 December 2007, the Broadcasting Agency collected the funds from the tax on radio receivers in motor vehicles to the amount of €2,640,448.97.

The funds collected from the tax on radio receivers in motor vehicles have been distributed to the Republican public broadcasting services (75%), Agency's Fund for the Support of Local Public Broadcasting Services (10%), Agency's Fund for Support of Commercial Broadcasting Services (10%) and the Agency (5%). The distribution of funds is periodically done by the Agency Council on the basis of public tender and in compliance with a separate document.

In compliance with the Law, these funds were allocated to the following beneficiaries:

- Radio-Television of Montenegro (radio).....	€1,980,336.58 ;
- Fond for support of local public broadcasters (radio).....	€264,044.96 ;
- Fund for support of commercial broadcasters (radio).....	€264,044.96 ;
- Broadcasting Agency.....	€132,022.47 ;

Fund for Support of Local Public Broadcasting Services

The Decision of the Agency Council on the Criteria for the Distribution of Money from the Fund for Support of Local Public Broadcasting Services ("Official Gazette of the Republic of Montenegro", No. 32/04), prescribes the distribution on the basis of the coverage zone and the amount of own production, and primarily on the basis of the level of transformation of local media into the local public broadcasting service. In compliance with this Decision, the funds from the broadcasting fee and tax on radio receivers were allocated to the following public broadcasters:

local broadcasting service	2003 - 2007
Radio Andrijevića	40.989,69
Radio Bar	205.020,47
Radio Berane	186.504,35
Radio Bijelo Polje	245.125,80
Radio Budva	52.396,75
Radio Cetinje	114.100,13
Radio Danilovgrad	105.135,62
Radio Herceg Novi	172.330,34
Radio Kotor	132.301,50
Radio Pljevlja	182.626,93
Radio Rožaje	136.017,03
Radio Tivat	92.058,30
Radio Ulcinj	123.230,79
RTV Nikšić	338.718,07
TV Budva	66.356,35
ULES	61.250,88
ukupno	2.254.163,00

Due to a delay in the process of transformation into the public broadcasting service, the funds allocated to "Radio Ulcinj" have not been paid to this public service broadcaster so far.

Fund for Support of Commercial Broadcasting Services

Until the end of 2007, the Broadcasting Agency had completed nine public tenders for distribution of money from the Fund for Support of Commercial Broadcasting Services. The funds were distributed on the basis of two criteria: service zone and own production. In compliance with the decisions of the Agency Council related to nine completed public tenders, the funds collected from the broadcasting fee and tax on radio receivers were allocated to the following commercial radio and TV broadcasters:

radio broadcasters	2003 - 2007
Radio 083	10.226,30
Radio Adriatic	17.196,72
Radio Antena M	146.015,82
Radio Atlas	23.605,38
Radio Boom	28.631,43
Radio Borkis	7.993,40
Radio Busola	2.073,56
Radio City	18.328,96
Radio Cool	16.941,88
Radio Corona	39.668,13
Radio D	28.189,89
Radio D plus	39.916,83
Radio Delfin	26.538,87
Radio Drs	4.463,46
Radio Elita	37.250,34
Radio Elmag	62.774,63
Radio F	2.496,75
Radio Fokus	20.776,09
Radio Free Montenegro	10.631,96
Radio Glas Plava	10.055,49
Radio Gorica	13.655,27
Radio Gusinje	3.008,10
Radio Harizma	3.106,83
Radio Jupok	18.814,86
Radio Kom	2.069,14
Radio Luna	1.432,23
Radio M	2.244,84
Radio Max	215,35
Radio Mir	20.797,00
Radio Mojkovac	13.916,87
Radio Montena	39.899,40
Radio More	8.802,21
Radio Ozon	24.327,90
Radio Panorama	30.335,11
Radio Plus	5.925,84
Radio Ponta	2.768,13
Radio Skadar Lake	5.329,61
Radio Skala	40.978,63
Radio Svetigora	99.775,44
Radio Trojka	-
Radio Vizija	3.024,77
Radio Z	10.241,41
Radio Zeta	12.773,89
total	917.218,72

TV broadcasters	2003 - 2007
TV APR	45.760,75
TV ATV	85.836,83
TV Boin	31.851,92
TV Sun	28.391,35
TV Ehoo	27.390,59
TV Elmag	125.110,46
TV Glas Plava	27.522,07
TV In	230.002,69
TV Luna	1.185,01
TV MBC	229.286,26
NTV Montena	136.039,45
TV Orion	8.412,05
TV Panorama	53.367,06
TV Pink M	110.312,88
TV Teuta	81.821,43
total	1.222.290,80

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

CONCLUSION

The analysis of overall business activities and results in the realisation of the regulatory function of the Broadcasting Agency in the period from 2003 to 2007 has shown that the Agency has justified its operation within the broadcasting system of Montenegro, and that its activities were based on the principles of efficiency, liquidity and financial stability.

The operation of the Broadcasting Agency was based on the well-developed and synchronised system of planning all current and development activities, timely decision making, cost-effective attitude towards finances and transparency of the entire operation. On this basis, the Agency has managed to ensure its functionality and to meet the planned objectives by means of a rational spending of public funds, keeping the income higher than planned on the one hand, and a very cost-effective expenditure policy on the other. Through the established system of financing, the conditions have been met for the financial sustainability and independence of the Broadcasting Agency for the fulfilment of its duties prescribed by law. Such a result was achieved thanks to a permanent internal control, restrictive expenditure measures, monthly analysis of income and expenditure, and continuous monitoring of liquidity.

Starting from the obligations arising from the process of stabilisation and association of Montenegro with the EU, as well and from the obligations undertaken within the Council of Europe and ITU, the activities on the development and implementation of the digital switchover strategy will be intensified, as well as the harmonisation of the regulatory framework with the international standards in the European Union, and the obligations undertaken within the Council of Europe. All this is a good basis for the strengthening of the Agency's status and its role in the regulatory framework of the broadcasting system of Montenegro.

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