



RADIO TELEVISION OF KOSOVA

**Independent Auditor's Report
For the year ended December 31, 2007**



INDEPENDENT AUDITOR'S REPORT

CONTENT	2
INDEPENDENT AUDITOR'S REPORT.....	3
Balance Sheet.....	4
Statement of Operations.....	5
Statement of Cash Flow.....	6
Statement of Changes in Equity.....	7
Notes to Financial Statements.....	8 - 16



INDEPENDENT AUDITOR'S REPORT

On Auditing of Financial Statements for 2006 year
To the Board of Directors of Radio television of Kosovo

We have audited the accompanying Balance Sheet of Radio Television of Kosova (the Entity or RTK) as at December 31, 2007 and the related statements of Operations, Changes in Equity and Cash flow for the year ended. These financial statements are the responsibility of the Entity's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing ISA. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles policies used and significant estimates made by the management, as well as evaluating the overall presentation of the Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Entity as of 31 December 2007 and the results of its operations and its cash flow for the year then ended in accordance with International Accounting Standards.

Sh.P.K "Audit & Conto"


UÇK 2a Prishtina

NDERMARRJA SHËRBYESE
"AUDIT & CONTO"
sh.p.k.

15 September, 2008

**Radio Television of Kosovo,
 Balance Sheet as at December 31, 2007**

	Notes	2006	2007
ASSETS		<u>8,014,589.84</u>	<u>7,663,359.00</u>
<u>Non-current assets</u>		<u>4,185,657.15</u>	<u>3,979,854.48</u>
I) Intangible assets	3	636,533.31	1,055,062.38
Plant and equipment	4	3,549,123.84	2,924,792.10
II) Current assets		<u>3,709,052.03</u>	<u>4,720,635.51</u>
Inventories		186,983.19	229,995.02
Trade receivables	5	3,247,122.59	4,304,269.95
Advance made	6	73,144.63	95,601.52
Cash on hand and at banks	7	201,801.62	90,769.02
<u>EQUITY AND LIABILITIES</u>	Notes	<u>7,894,709.18</u>	<u>8,700,489.99</u>
I Capital and reserves		<u>7,014,371.92</u>	<u>7,146,533.22</u>
Social capital	8	8,224,254.56	8,224,254.56
Retained deficit		(1,321,828.88)	(1,209,882.64)
Surplus of the year		111,946.24	132,161.30
<u>Liabilities</u>		<u>880,337.26</u>	<u>1,553,956.77</u>
I Long term debts		49,344.54	78,851.76
Trade payables	9	415,682.01	1,393,715.47
Advance payment received	10	332,741.71	1,222.22
Salaries and related payables	11	82,569.00	80,167.32

Mr. Agim Zatriqi
 General Director

Mr. Bujar Spahiu
 Finance Director

**Radio Television of Kosova,
 Statement of Operations for the year ended December 31, 2007**

	Notes	Year ended December 31, 2006 (Ne euro)	Year ended December 31, 2005 (Ne euro)
1 Income from license fee (KEK)	12.1	7,080,000.00	7,991,363.23
2 Advertising income	12.1	1,432,654.51	1,526,517.86
3 Operating expenses	13	(8,628,628.00)	(9,646,338.42)
Operating deficit		<u>(115,973.49)</u>	<u>(128,457.33)</u>
Other incomes			
4 Income from donations	12.2	40,000.00	39,624.00
5 Income from reimbursements	12.2	121,942.57	189,098.00
6 Other income	12.2	163,392.16	65,678.00
Total other income		<u>325,334.73</u>	<u>294,400.00</u>
Bank charges		(6,489.38)	(7,289.87)
Other expenses		(90,925.62)	(26,491.50)
Total other expenses		<u>(97,415.00)</u>	<u>(33,781.37)</u>
Net Surplus / Deficit for the year		<u>111,946.24</u>	<u>132,161.30</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

**Radio Television of Kosova,
 Statement of Cash Flows for the year ended December 31, 2007**

	Notes	Year ended December 31, 2006	Year ended December 31, 2005
Cash flows from operating activities			
Net surplus for the year		111,946.24	132,161.30
Depreciation and amortization		1,305,445.00	1,559,845.19
Income from donations		(40,000.00)	(39,624.00)
Operating surplus before changes in operating assets and liabilities		1,377,391.24	1,652,382.49
Decrease/ (increase) in inventories		(76,540.19)	(43,011.83)
Decrease/ (increase) in trade receivables		(713,917.04)	(1,057,147.36)
Decrease/ (increase) in advances made		41,581.00	(22,456.89)
Decrease/ (increase) in advance payments received		187,155.00	646,513.97
Decrease/ (increase) in salaries and related payables		11,261.00	(2,401.68)
Cash used in operating activities		(550,460.23)	(478,503.79)
Cash flows from investing activities			
Investing in series		(672,680.31)	(1,066,426.34)
Purchase of plant and equipment		(246,911.00)	(287,616.18)
Net cash used in investing activities		(919,591.31)	(1,354,042.52)
Cash flows from financing activities			
Increase in long term debt		39,894.00	29,507.22
Donations received		200,618.92	39,624.00
Net cash from financing activities		240,512.92	69,131.22
Net increase / (decrease) in cash and cash equivalents		147,852.62	(111,032.60)
Cash at the beginning of the year		53,949.00	201,801.62
Cash and cash equivalent at the end of the year		201,801.62	90,769.02

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

**Radio Television of Kosova,
Statement of Changes in Equity for the year ended December 31, 2007**

	Social Capital (in EUR)	Retained Earnings/ (deficit) (in EUR)	Total Equity (in EUR)
Balance as at January 1, 2006	8,224,254.56	(1,321,828.88)	6,902,425.68
Net surplus of 2006 year		111,946.24	111,946.24
Balance as at December 31, 2006	8,224,254.56	(1,209,882.64)	7,014,371.92
Net surplus for the year		132,161.00	132,161.00
Balance as at December 31, 2007	8,224,255.00	(1,077,721.00)	7,146,533.00

1. General Information

Radio television of Kosova is a public institution of particular and national importance, which provides a public service in the field of radio and television broadcasting established in accordance with United Nations Interim Administration Mission in Kosova (UNMIK) Regulation No.2001/13 on the establishment of Radio Television of Kosova, dated 15 June 2001.

The founder of the public institution of RTK is the Assembly of Kosovo. It shall be the duty of the Founder to safeguard the institutional autonomy and editorial independence of RTK and to ensure adequate financing for the execution of RTK's public service mission.

The founder will guarantee and make available proper premises for the public broadcaster, with the aim of ensuring full functioning at the professional level.

The activity of the Entity is determined with Law on radio and Television of Kosovo No. 02/L – 47 dated April 11, 2006.

The Entity is based in Prishtina, Kosovo and provides a broadcasting service to the whole Kosovo region that reflects the guiding principles of public service broadcasting, in accordance with Chapter II. Section 4 of RTK low no. 02/L – 47 dated April 11, 2006.

The Entity currently operates with one television and two radios stations, all based in Prishtina.

In accordance with Chapter III, Article 19 section 19.1 of Law No.02/L-47 on RTK the Assembly of Kosovo shall ensure an appropriate, secure and transparent framework for funding, which could include the support from the Kosovo Consolidated Budget, which guarantees RTK the means necessary to accomplish its mission. From the day of application of this Law the assembly of Kosovo takes the decision on setting the subscription fee for the public broadcaster in amount of EUR 3.50 for all legal and physical entities in Kosovo. An entity shall be regarded as a unit with a single bill for electricity or other public utility. The RTK Board is authorized to decide which organization it deems suitable to provide services necessary for the collection of the fee (Chapter III Article 20).

The governing body of RTK shall be the RTK Board, composed of members, who are appointed by the Assembly of Kosovo (Chapter V Article 23 Section 23.1).

The RTK Board reviews and approves annual budget and management and staff salaries schedules, and assures that RTK expenditure do not exceed its financial resources. (Chapter VI Article 26 section 7)

The number of employees in the Entity as at December 31, 2007 was : 423 regularly employees, 120 temporary contract employees and 177 professional collaborators and other contactors.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of presentation and preparations

These financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. These estimates are based on the information available as of the dates of the financial statements. Actual results could differ from those estimates.

The financial statements have been prepared under the going concern basis. The Entity is charging a license fee for its services through the billing system of the public electricity company Kosova Energy Corporation (KEK), which for the year ended December 31, 2007 is 7,991,363.23 €. Without using the billing system of the state electricity company the entity would be unable to collect the license fee. The Entity is thus dependent upon the continuance of this arrangement. The implementing of this arrangement until now has been successful.

2.2 Currency of presentation

The reporting currency of the Entity is the European Union currency unit (EUR) being the legal tender in the territory of Kosovo.

2.3 Summary of significant accounting policies

A summary of the significant accounting policies adopted in the preparation of the financial statements is presented below.

It's in Entity policy to recognize the incomes and expenditures on accrual basis of accounting.

2.3.1 Foreign currencies

Transactions in currency other than EUR are initially recorded at their rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate ruling on the balance sheet dates. Profits and losses arising on exchange rates are dealt with in the statement of operations in the period in which they arose.

2.3.2 Business premises, plant and equipment

The entity has not stated in her financial statement the premises occupied by her. These premises are not owned by RTK.

Plant and Equipment are stated in Balance Sheet at their Net Book value (cost less accumulated depreciation), for depreciation purpose the entity keep for each asset individual records at historic cost and accumulated depreciation. Depreciation is provided on a straight – line basis calculated on assets net book value. Percentage of annual depreciation is as follow:

TV, Radio and computer equipment	20%
Furniture and fixture	20%
Motor vehicle	20%

2.3.3 Inventories

Inventories are stated at their cost, adding all expenses related to them.

2.3.4 Intangible assets

Intangible assets are stated at their Net Book value. Amortization policy is in accordance with Reducing Balance method, the percentage of amortization is as follow:

	First broadcast	Second broadcast	Third broadcast
Development costs of television series	50%	30%	10%

The residual value after the amortization from third broadcast is carried as a balance at Archives.

2.3.5 Receivables and payables

Trade receivables are presented at their nominal value as reduced by appropriate allowances made and estimated irrecoverable amounts.

Trade payables are stated at their nominal value as reduced by appropriate allowances earned and estimated amounts which will not be paid.

2.3.6 Cash and cash equivalents

Cash and cash equivalents are composed from cash on hand and cash at banks. Amounts presented in financial statements equals to bank statements and cash box registered at December 31, 2007.

2.3.7 Barter transactions

Barter Transactions represent the exchange of commercial airtime for programming and also represent the exchange of commercial airtime for merchandise or services. Barter transactions are generally recorded at the fair market value of the commercial airtime relinquished.

2.3.8 Grants related to income

Grants related to income are recognized as income based on the accrual principle in the period in which the related expenditure in incurred for which the grant is being given.

2.3.9 Grants Related to Assets

Grants related to assets that were provided for the purpose of the establishment of the business activities of the Entity are presented within Social Capital under Note 8.

2.3.10 Taxation

In accordance with UNMIK regulation No. 2002/3 on Profit taxes in Kosovo dated February 20, 2002 and UNMIK regulation No. 2004/51 dated December 04, 2004, the entity is not liable to pay income tax on profits in Kosovo.

3. Intangible Assets

	Familja moderne	Kafeneja jone	Zogjet e luftes	Other	Total
Net Value					
As at January 1st, 2007	215,506.03	262,180.62		158,846.66	636,533.31
Additions during the year	245,415.00	608,200.00	117,000.00	95,811.34	1,066,426.34
					0.00
As at December 31, 2007	460,921.03	870,380.62	117,000.00	254,658.00	1,702,959.65
Amortization of the year	(164,402.25)	(405,714.50)		(77,780.52)	(647,897.27)
Net book value					
As at December 31, 2007	296,518.78	464,666.12	117,000.00	176,877.48	1,055,062.38

4. Plant and Equipment

Asset's movement for the year ended December 31, 2006 in their net value.

	Equipment (Ne euro)	Transport Vehicles (Ne euro)	IT equipment (Ne euro)	Furniture (Ne euro)	Total
Net book value as at January 1st, 2007	3,222,298	115,963	125,779	85,084	3,549,124
Additions during the year	136,080	68,457	45,164	37,915	287,616
Depreciation for the year	(810,862.41)	(40,228.69)	(35,494.64)	(25,362.18)	(911,947.92)
Net book value as at December 31, 2007	2,547,515	144,191	135,448	97,637	2,924,792

5. Trade receivables

	December 31, 2006 (In EUR)	December 31, 2007 (In EUR)
Receivables from KEK	3,035,449.47	3,965,298.20
Receivables from Alba Filmi	40,000.00	65,544.80
Receivables from compensations	36,316.00	54,052.00
Receivables from CMB	69,993.93	24,716.43
Receivables from VAT		84,212.74
Receivables from transmitters	36,387.46	45,728.46
Other receivables	126,267.18	237,782.31
Receivables from donations	22,589.21	22,589.21
Total receivables	3,367,003.25	4,499,924.15

6. Advances made

	December 31, 2006 (In EUR)	December 31, 2007 (In EUR)
Advances to employees	1,375.71	95,194.81
Advances to suppliers	71,768.92	406.71
Total advances made	73,144.63	95,601.52

7. Cash on hand and at banks

	December 31, 2006 (In EUR)	December 31, 2007 (In EUR)
Cash in hand	2,521.24	2,047.54
Bank account-PCB	84,229.70	41,426.47
Bank account-BRK	100,583.74	1,706.70
Sub bank account- equipment	368.34	77.34
Sub bank account -Rruga Zezam	6,042.07	45,168.44
Other Sub bank account	1,140.00	222.00
Sub bank account training	1,546.68	68.68
Sub bank account VAT	5,369.85	51.85
Total cash on hand and at banks	201,801.62	53,949.00

8. Social Capital

The Entity's social Capital at the balance sheet date is comprised as follow:

	December 31, 2006 (In EUR)	December 31, 2007 (In EUR)
Equipment donated by the Japanese Government	7,847,594.00	7,847,594.00
Donated by EAR	10,000.00	10,000.00
Other Cash donations	366,660.56	366,660.56
Total Social Capital	8,224,254.56	8,224,254.56

The amount of EUR 7,847,594.00 relates to equipment donated to RTK by the Japanese Government through UNMIK during the year 2000, the total amount includes EUR 6,890,530.00 donated for television operations and EUR 957,064.00 for radio operations. The cost of equipment was recorded directly as Social Capital since was donated for the purposes of the establishment of the business activities of RTK.

The amount of EUR 10,000.00 was donated during the year 2002 by the European Agency for Reconstruction (AER) for television operations.

9. Trade payables

	December 31, 2006 (In EUR)	December 31, 2007 (In EUR)
Local trade payables	352,047.32	1,234,885.25
International trade payables	63,634.69	158,830.22
Total trade payables	415,682.01	1,393,715.47

10. Advance payments received

	December 31, 2006 (In EUR)	December 31, 2007 (In EUR)
CMB	143,992.16	
Others	188,749.55	1,222.22
Total Advance payment received	332,741.71	1,222.22

11. Salaries and related payables

	December 31, 2006 (In EUR)	December 31, 2007 (In EUR)
Payable to Kosovo Pension Fund	33,887.27	38,433.15
Salary tax payable	33,644.83	35,971.38
Salaries payable	707.09	5,762.79
Payable to freelance contractors	14,329.81	
Total salaries and related payables	82,569.00	80,167.32

12. Incomes

11.1 Operating incomes	Year ended December 31, 2006 (In EUR)	Year ended December 31, 2007 (In EUR)
Operating income from license fee (KEK)	7,080,000.00	7,991,363.23
Income from advertising	1,432,654.51	1,526,518.74
Total operating incomes	8,512,654.51	9,517,881.97

The radio & television fee in Kosovo is EUR 3.50 per month. Commencing from November 2003 this amount was included within the monthly electricity bills of KEK. The average monthly amount billed by KEK on behalf of RTK is approximately EUR 1,130,706.79. Based on collection experience to date the management of RTK expect that only EUR 650,000.00 per month will be collected and remitted to RTK. During 2007 year the income from the license fees has been recorded at EUR 7,991,363.23, the total amount received is EUR 7,061,514.50 or the monthly average for year 2007 is EUR 588,459.54.

11.2 Other Incomes	Year ended December 31, 2006 (In EUR)	Year ended December 31, 2007 (In EUR)
Income from donations	40,000.00	39,624.00
Income from reimbursement	121,942.57	118,406.14
Other incomes	163,392.16	136,368.98
Total incomes	325,334.73	294,399.12

13. Operating Expenses

	December 31, 2006	December 31, 2007
Materials and consumable	47,599.77	45,141.35
Electricity expenses	65,951.26	69,741.51
Salaries and daily pay	2,695,962.52	3,510,316.00
Expenses of company for contribution		211,824.71
Board fees (daily pays)	34,108.36	34,467.50
Training	50,713.37	167,526.91
Hired services	28,975.92	395,906.00
Big Band of RTK	83,968.39	75,592.00
Communication expenses	175,173.02	165,471.57
Accommodations		101,114.45
Daily pays expenses	758,715.86	150,650.38
Depreciation	854,210.34	911,947.92
Amortization	451,234.44	647,897.27
Fuel for heating	147,452.53	120,157.73
Maintenance	103,602.71	100,915.09
KEK fee	488,520.00	496,401.07
Marketing fee	208,415.78	168,932.51
Guest welcoming / PROG	31,657.00	40,542.45
Contract with EBU and Fidat	104,093.14	162,624.55
KTTN-ja	40,026.48	40,026.48
Satellite	196,776.93	182,993.43
Other expenses	137,682.75	131,197.88
5% fee for the Prime minister office		371,997.96
Program	906,924.31	803,070.69
Sport rights	782,239.93	359,694.97
Stenography	94,528.78	49,035.62
New year program	20,213.75	54,695.62
Provision for bad debts	119,880.66	76,454.80
Total Operating expenses	8,628,628.00	9,646,338.42

14. Risk Management

The procedures of internal control system are well designed and efficient. The risk that a material misstatement could not be prevented or detected on a timely basis by internal control is assessed at a low level.