

RADIO TELEVISION OF KOSOVA

Independent Auditors' Report and Financial Statements

For the years ended December 31, 2004 and 2003

**RADIO TELEVISION OF KOSOVA
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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Independent Auditors' Report

To the Board of Directors of Radio Television of Kosova

1. We have audited the accompanying balance sheets of Radio Television of Kosova (the "Company") as at December 31, 2004 and 2003, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with International Standards on Auditing. 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 used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
3. Our audit opinion on the financials statements for the year ended December 31, 2003 included the following qualification:

"As detailed in Note 4 to the financial statements, from November 2003 the Company began charging a licence fee for its services through the billing system of the state electricity company Korporata Energjitike e Kosoves. As at December 31, 2003 trade receivables include an amount of EUR 1,929 thousand representing total licence fees billed through KEK for the months of November and December 2003 as at that date no amounts had been received from KEK related to licence fee billing. The Company has made no provision against potentially uncollectible licence fees as at December 31, 2003 and we have not been provided with sufficient records or information to fully assess the need for an allowance for potentially uncollectible licence fees as at that date. Consequently, due to this lack of information received by the Company from KEK regarding actual post-December 31, 2003 receipts for November and December billing, we are unable to satisfy ourselves that the licence fee receivable from KEK at December 31, 2003 is correctly stated."

During 2004 it became apparent that approximately EUR 800 thousand of the above fees would be collected and a provision for doubtful collection of EUR 1,129 thousand was made in 2004 in respect of 2003 income. As a result of this the net loss for 2004 is overstated by EUR 1,129 thousand.

4. In our opinion, except for the effect of the matter referred to in paragraph 3, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003, and the results of its operations, changes in equity and cash flows for the years then ended, in accordance with International Financial Reporting Standards.
5. Without further qualifying our opinion we draw attention to the fact that the Company is heavily reliant on donations, being EUR 1,129,562 and EUR 3,160,785 during the years ended December 31, 2004 and 2003. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern without future operational funding from donors or other external sources.

Deloitte Touche

Prishtina, Kosova
June 29, 2005

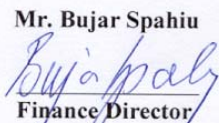
RADIO TELEVISION OF KOSOVA
Balance Sheets

	Notes	December 31, 2004 (in EUR)	December 31, 2003 (in EUR)
ASSETS			
Non-current assets			
Plant and equipment	3	4,590,154	5,576,397
		<u>4,590,154</u>	<u>5,576,397</u>
Current assets			
Inventories		110,843	61,204
Trade receivables	4	3,142,859	2,657,999
Advances receivable	5	159,933	57,540
Cash on hand and at banks	6	16,183	344,516
		<u>3,429,818</u>	<u>3,121,259</u>
Total assets		<u><u>8,019,972</u></u>	<u><u>8,697,656</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Social capital	7	8,224,083	8,224,083
Retained (deficit)/earnings		(854,371)	61,595
		<u>7,369,712</u>	<u>8,285,678</u>
Liabilities			
Trade payables	8	565,634	298,496
Salaries and related payables	9	84,626	113,482
		<u>650,260</u>	<u>411,979</u>
Total equity and liabilities		<u><u>8,019,972</u></u>	<u><u>8,697,656</u></u>

Authorised for issue by management on June 29, 2005:

Mr. Agim Zatriqi

 General Director

Mr. Bujar Spahiu

 Finance Director

The accompanying notes on pages 7 to 20 form an integral part of these financial statements.

RADIO TELEVISION OF KOSOVA
Balance Sheets

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RADIO TELEVISION OF KOSOVA
Income Statements

	Notes	Year ended December 31, 2004 (in EUR)	Year ended December 31, 2003 (in EUR)
Operating income	10	1,418,927	1,460,823
Operating expenses	11	<u>(7,745,956)</u>	<u>(6,865,486)</u>
OPERATING LOSS		<u>(6,327,029)</u>	<u>(5,404,663)</u>
Income from grants	12	1,129,562	3,160,785
Income from licence fee	13	4,800,000	1,929,140
Rental income	14	296,459	220,520
Other income	15	<u>334,558</u>	<u>156,725</u>
OTHER INCOME		6,560,579	5,467,170
Provision for doubtful debts	13	(1,129,140)	-
Bank charges		(8,598)	(15,953)
Other expenses		<u>(11,778)</u>	<u>(26,351)</u>
PROFIT FROM OTHER ACTIVITIES		<u>5,411,063</u>	<u>5,424,866</u>
NET (LOSS)/PROFIT FOR THE YEAR		<u>(915,966)</u>	<u>20,203</u>

The accompanying notes on pages 7 to 20 form an integral part of these financial statements.

RADIO TELEVISION OF KOSOVA
Statement of Changes in Equity

	Social capital (in EUR)	Retained earnings/(deficit) (in EUR)	Total equity (in EUR)
Balance as at January 1, 2003	8,224,083	41,392	8,265,475
Net profit for the year	<u>-</u>	<u>20,203</u>	<u>20,203</u>
Balance as at December 31, 2003	8,224,083	61,595	8,285,678
Net loss for the year	<u>-</u>	<u>(915,966)</u>	<u>(915,966)</u>
Balance as at December 31, 2004	<u>8,224,083</u>	<u>(854,371)</u>	<u>7,369,712</u>

The accompanying notes on pages 7 to 20 form an integral part of these financial statements.

RADIO TELEVISION OF KOSOVA
Statements of Cash Flows

	Notes	Year ended December 31, 2004 (in EUR 000)	Year ended December 31, 2003 (in EUR 000)
Cash flows from operating activities			
Net (loss)/profit for the year		(915,966)	20,203
Adjustments for:			
Depreciation and amortization	3	1,132,764	1,352,506
Income from donations	12	<u>(1,129,562)</u>	<u>(3,160,785)</u>
Operating loss before changes in operating assets and liabilities		(912,764)	(1,788,076)
Increase in inventories		(49,639)	(61,204)
Increase in trade receivables		(514,946)	(2,266,347)
Increase in advances receivable		(102,393)	(9,099)
Increase in trade payables		267,138	196,639
Decrease in salaries and related payables		<u>(28,856)</u>	<u>(36,714)</u>
Cash used in operating activities		<u>(1,341,460)</u>	<u>(3,964,800)</u>
Cash flows from investing activities			
Purchase of plant and equipment	3	<u>(146,522)</u>	<u>(272,724)</u>
Net cash used in investing activities		<u>(146,522)</u>	<u>(272,724)</u>
Cash flows from financing activities			
Donations received		<u>1,159,648</u>	<u>2,878,696</u>
Net cash from financing activities		<u>1,159,648</u>	<u>2,878,696</u>
Net decrease in cash and cash equivalents		(328,333)	(1,358,828)
Cash and cash equivalents at the beginning of the year		<u>344,516</u>	<u>1,703,344</u>
Cash and cash equivalents at the end of the year		<u>16,183</u>	<u>344,516</u>

The accompanying notes on pages 7 to 20 form an integral part of these financial statements.

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

1. GENERAL

Radio Television of Kosova (the “Company” or “RTK”) is a not-for-profit public service broadcasting organisation, which was 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 Company is based in Prishtina, Kosova and provides a broadcasting service to the whole Kosova region that reflects the guiding principles of public service broadcasting, in accordance with Chapter II, Section 1 of the aforementioned UNMIK Regulation.

The Company currently operates with one television and two radio stations, all based in Prishtina. It is composed of two bodies: the Board of Directors and Broadcasting Operations.

In accordance with Chapter III, Section 3.3 of the aforementioned UNMIK Regulation the RTK’s Board is obliged to prepare an annual budget for RTK for submission through the Ministry of Finance and Economy (MFE) to the Special Representative of the Secretary-General for approval within the framework of the Kosovo Consolidated Budget. The funding of RTK is prescribed in Chapter IV, Section 11 of the aforementioned UNMIK Regulation.

The number of employees in the Company as at December 31, 2004 was 436 (2003: 342).

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), under the historical cost convention as modified by the revaluation of appropriate assets and liabilities. The Company maintains its books and records in accordance with generally accepted accounting practices in the United Nations administered territory of Kosovo.

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 revenues and expenses during the reported period. These estimates are based on the information available as of the dates of the financial statements and actual results could differ from those estimates.

2.2 Currency of presentation

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

2.3 Statement of compliance

The financial statements have been prepared in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

1.0 Summary of significant accounting policies

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

2.4.1 Foreign currencies

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

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.0.0 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct labor and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.0.0 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is charged to the income statement. The estimated recoverable amount is the higher of an asset's net selling price and its value-in-use.

Plant and equipment acquired prior to January 1, 2001 only includes equipment, furniture and vehicles. These items were acquired mainly by way of donations and were recorded at management's estimate of fair value of the assets received, with the corresponding credit entry being made to Social Capital account.

The cost of purchased plant and equipment from January 1, 2001 is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use.

Gains and losses on disposal of plant and equipment are determined by reference to their carrying amount and are taken into account in determining the operating result for the period. Repairs and maintenance are charged to the income statement when the expenditure is incurred.

Depreciation is provided on a straight-line basis calculated to write off the recorded cost of plant and equipment over their estimated useful lives at the following annual rates:

TV, Radio and computer equipment	20 %
Furniture and fixtures	20 %
Motor vehicles	20 %

2.4.4 Impairment of assets

Impairment of the Company's assets is assessed based on the provisions of IAS No. 36 "Impairment of Assets". IAS No. 36 requires an impairment loss to be recognized whenever the carrying value of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its net selling price and value in use. The value in use of an asset is the present value of estimated future cash flows expected from the continuing use of that asset and from its disposal.

1.0.0 Trade and other receivables

Receivable accounts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.0.0 Taxation

In accordance with UNMIK Regulation No. 2002/3 on Profit Taxes in Kosova dated February 20, 2002, the Company is not liable to pay income tax on profits in Kosova.

3.0.0 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents are considered to be cash on hand and in operating accounts at banks with an original maturity of three months or less.

2.4.8 Retirement benefit costs

The Company makes no provision for and has no obligation for, employee pensions over and above the contributions paid into the state pension scheme.

1.0.0 Revenue recognition

Advertising revenue is recognised net of agency commissions and in the period when the commercials are broadcast. Barter and trade revenue is included in advertising revenue and is also recognised when the commercials are broadcast. "Barter transactions" are described under Note 2.4.10 below.

Licence fee and rental income are recognised in the period to which they relate.

2.4.10 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. Barter program rights and payables are recorded for barter transactions based upon the availability of the broadcast property. Revenue is recognised on barter transactions when the commercials are broadcast whilst expenses are recorded when the merchandise or service received are utilised.

1.0.0 Programme rights

Programme rights represent the right to broadcast television and radio programmes. Programme rights and the corresponding contractual obligations are recorded when the licence period begins and the programmes are available for use. The cost of programme rights are recorded in the income statement on a straight-line basis over the contractual licence period of the programme.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.12 Development costs

Costs relating to the development and production of television and radio programmes are charged to the income statement as and when the expenditure is incurred.

1.0.0 Grants related to income

Grants related to income are recognised as income based on the accrual principle in the period in which the related expenditure is incurred for which the grant is being given. Grants received as general grants without conditions (referred to as “Donations”) are taken to the income statement in the period in which they are contractually committed to be received or, in the absence of a contractual period, when received.

2.0.0 Grants related to assets

Grants related to assets that were provided for the purpose of the establishment of the business activities of the Company are presented within the social capital under Note 7.

Subsequently, grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income. Deferred income is recognised as income on a systematic and rational basis over the useful life of the related assets.

3.0.0 Fair values

International Accounting Standard No. 32 - *Financial Instruments: Disclosure and Presentation*, provides for the disclosure in the notes to the financial statements of information about the fair value of financial assets and liabilities. Fair value for this purpose is defined as the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. It is the policy of the Company to disclose the fair value information on those assets and liabilities for which published market information is readily available such as marketable equity securities and government bonds.

4.0.0 Comparatives

Certain comparative figures have been restated to conform to the current year’s basis of presentation.

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

1. PLANT AND EQUIPMENT

	TV, Radio and computer equipment (in EUR)	Furniture and fixtures (in EUR)	Motor vehicles (in EUR)	Total (in EUR)
Cost				
Balance at January 1, 2004	10,003,784	46,681	74,340	10,124,805
Additions during the year	<u>92,474</u>	<u>38,642</u>	<u>15,405</u>	<u>146,521</u>
As at December 31, 2004	<u>10,096,258</u>	<u>85,323</u>	<u>89,745</u>	<u>10,271,326</u>
Accumulated depreciation				
Balance at January 1, 2004	4,507,419	7,967	33,022	4,548,408
Charge for the year	<u>1,108,643</u>	<u>14,212</u>	<u>9,909</u>	<u>1,132,764</u>
As at December 31, 2004	<u>5,616,062</u>	<u>22,179</u>	<u>42,931</u>	<u>5,681,172</u>
Net book value				
As at December 31, 2004	<u>4,480,196</u>	<u>63,144</u>	<u>46,814</u>	<u>4,590,154</u>
As at December 31, 2003	<u>5,496,365</u>	<u>38,714</u>	<u>41,318</u>	<u>5,576,397</u>

2. TRADE RECEIVABLES

December 31, December 31,

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

	2004 (in EUR)	2003 (in EUR)
Licence fees from KEK (Note a)	3,673,046	1,929,140
SDC - grant receivable (Note b)	145,678	247,789
CMB Productions, Prishtine (Note c)	156,036	371,706
SEZAME WORKSHOP - grant receivable (Note d)	97,944	-
DEVOLLI	90,000	-
EAR - grant receivable	-	34,300
KFOR TV	23,291	22,916
Crime Watch	16,490	15,520
Exclusive Commerce	14,310	-
Kosova Parliament	10,021	10,021
UNESCO	4,080	-
Kohavizion	2,479	8,255
Archivision	2,227	-
TV Alsat	2,187	-
PTK	1,023	-
Other	33,187	18,352
	4,271,999	2,657,999
Provision for doubtful debts	(1,129,140)	-
Total trade receivables	3,142,859	2,657,999

-) From November 2003 the Company began charging a licence fee to customers through the electricity billing system of Korporata Energjitike e Kosoves (KEK). The outstanding balance at December 31, 2004 represents the amount receivable as recorded by the Company in accordance with the basis of recognition of income described under Note 13. Furthermore, a provision for doubtful debts of EUR 1,129,140 has been made in 2004 for doubtful collection of the licence fee income recorded in 2003.
-) Two separate general grant agreements were concluded with the Swiss Agency for Development and Cooperation for the benefit of RTK during the year ended December 31, 2003. One grant was agreed for the purpose of radio operations in the amount of EUR 327,195, and the second was agreed for television operations in the amount of EUR 83,590; as at December 31, 2004 the amount of EUR 145,678 had still to be received by the Company in respect of these grants.
-) The CMB Productions outstanding balance as at December 31, 2004 relates to the following:
- EUR 100,000 for advertising contracts receivable in cash;
 - EUR 49,102 for barter advertising contracts; and
 - EUR 6,934 relating to rent contracts for office premises occupied in the Radio building.

4. TRADE RECEIVABLES (CONTINUED)

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

-) An agreement was concluded with Sezame Workshop in September 2004 under which Radio and Television of Kosova will receive a grant of EUR 146,916 to purchase an educational programme for children, "Sezame Street". The grant was contracted to be disbursed in 3 installments, the first of which was disbursed in September 2004. At December 31, 2004 the amount of EUR 90,000 was receivable by the Company.

3. ADVANCES RECEIVABLE

	December 31, 2004 (in EUR)	December 31, 2003 (in EUR)
CONAX	105,542	-
EUTELSAT	-	33,123
Advances to employees	7,044	9,066
MD International	-	6,650
PROMOTIONS	-	7,441
FSHF	5,000	-
Others	42,347	1,260
	<hr/>	<hr/>
Total advances receivable	159,933	57,540

4. CASH AT BANK AND ON HAND

	December 31, 2004 (in EUR)	December 31, 2003 (in EUR)
Current account balance at ProCredit Bank, Prishtine	13,804	341,688
Cash on hand	2,379	2,828
	<hr/>	<hr/>
Total cash at bank and on hand	16,183	344,516

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

5. SOCIAL CAPITAL

The Company's Social Capital at the balance sheet date is comprised as follows:

	December 31, 2004 (in EUR)	December 31, 2003 (in EUR)
Equipment donated by the Japanese Government	7,847,594	7,847,594
Donated by the EAR	10,000	10,000
Other cash donations	<u>366,489</u>	<u>366,489</u>
	<u>8,224,083</u>	<u>8,224,083</u>

The amount of EUR 7,847,594 relates to equipment donated to RTK by the Japanese Government through UNMIK, during the year 2000; the total amount includes EUR 6,890,530 donated for television operations and EUR 957,064 for radio operations. The cost of the equipment was recorded directly as Social Capital since it was donated for the purposes of the establishment of the business activities of RTK.

The amount of EUR 10,000 was donated during the year 2002 by the European Agency for Reconstruction ("EAR") for television operations, whilst the amount of EUR 366,489 relates to other cash donations which were made prior to 2002.

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

6. TRADE PAYABLES

	December 31, 2004 (in EUR)	December 31, 2003 (in EUR)
KEK, Prishtine	187,799	142,350
BATLLAVA, Prishtine (Water Supply)	7,107	1,900
PTK, Prishtine	35,572	16,259
CMB Productions, Prishtine	43,195	43,048
Hixhieno Teknika	5,685	-
HIBERNA	22,207	-
EUROKOHA	13,817	-
GRAND HOTEL	7,389	-
ALMIRI AS	6,000	-
CORONA	5,700	-
IPKO	2,500	-
Others	128,420	39,905
<i>Total local trade payables:</i>	<i>465,391</i>	<i>243,462</i>
GLOBE CAST France	-	36,919
HOTEL MAQEDONIA Macedonia	44,506	-
UNIVERZUM BOX Germany	3,723	9,723
FORMA DOO	16,050	-
TV MOST	12,500	-
Others	23,464	8,392
<i>Total international trade payables:</i>	<i>100,243</i>	<i>55,034</i>
Total trade payables	<u>565,634</u>	<u>298,496</u>

7. SALARIES AND RELATED PAYABLES

	December 31, 2004 (in EUR)	December 31, 2003 (in EUR)
Salary taxes payable	31,115	33,966
Salaries payable	1,364	21,245
Payable to freelance contractors	26,752	26,366
Payable to Kosova Pension Fund	25,395	30,129
Other	-	1,776
Total salaries and related payables	<u>84,626</u>	<u>113,482</u>

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

8. OPERATING INCOME

	Year ended December 31, 2004 (in EUR)	Year ended December 31, 2003 (in EUR)
Advertising income in cash (CMB)	811,954	744,382
Advertising income - barter (CMB)	578,070	666,692
Advertising income - barter (non- CMB)	17,000	44,893
Other operating income	11,903	4,856
	<hr/>	<hr/>
Total operating income	1,418,927	1,460,823
	<hr/>	<hr/>

RADIO TELEVISION OF KOSOVA**Notes to the Financial Statements for the years ended December 31, 2004 and 2003**

9. OPERATING EXPENSES

	Year ended December 31, 2004 (in EUR)	Year ended December 31, 2003 (in EUR)
Salary costs of employees	2,204,473	1,583,312
Depreciation	1,132,764	1,352,505
Purchase costs of TV and radio programmes	682,002	519,279
Cost of satellite usage	397,017	397,017
Transmission rights fees	611,623	146,647
Freelance contractor costs	102,032	600,413
Salaries of news correspondents	89,240	-
Post and telephone costs	208,292	162,445
Commission for advertising fees (CMB)	160,695	132,725
Cost of materials	110,993	131,230
Overtime salary costs	26,157	59,115
Utilities	246,368	222,257
Costs of production of RTK's own TV programmes	922,885	918,630
Maintenance costs	59,155	38,739
Travel and accommodation costs	98,073	57,728
Fees paid to RTK Board of Directors	35,658	41,008
Vehicle insurance	26,283	33,381
Audit fees	19,550	23,000
Representation expenses	31,500	27,834
Costs of non-production services	62,817	73,677
Kosova Pension Fund expenses	156,994	60,886
RTK Media campaign	-	80,504
KEK commission fee expense	331,200	133,111
Repairs and maintenance	4,487	58,031
Other expenses	25,698	12,012
	<hr/>	<hr/>
Total operating expenses	7,745,956	6,865,486

RADIO TELEVISION OF KOSOVA

Notes to the Financial Statements for the years ended December 31, 2004 and 2003

10. INCOME FROM DONATIONS

	Year ended December 31, 2004 (in EUR)	Year ended December 31, 2003 (in EUR)
Ministry of Finance and Economy (Kosova Consolidated Budget)	1,000,000	2,000,000
The European Agency for Reconstruction (EAR)	-	750,000
Swiss Agency for Development and Co-operation (SDC)	129,562	410,785
	<hr/>	<hr/>
Total income from donations	<u>1,129,562</u>	<u>3,160,785</u>

11. INCOME FROM LICENCE FEE

The radio & television licence fee in Kosova is EUR 3.50 per month. Commencing from November 2003 this amount was included on the monthly electricity bills for KEK. The average monthly amount billed by KEK on behalf of RTK is approximately 985 thousand per month. Based on the collection experience to date the management of RTK expect that only EUR 400 thousand per month will be collected and remitted to RTK. During 2004 the income for licence fees has been recorded at a net amount of EUR 400 thousand each month.

At December 31, 2004 the amounts of radio and television licence fees invoiced by KEK which have not been recognised in the books of account of RTK are as follows:

Fees for November and December 2003	1,129,140
Fees for January to December 2004	<hr/> 7,064,465
Total fees not recognised	<u>8,193,605</u>

12. REIMBURSEMENT INCOME

Reimbursement income mainly relates to the reimbursement of expenses for office space within the Radio building used by various entities such as ATV – Exclusive, CMB, IPKO and AKPM.

13. OTHER INCOME

Other income mainly relates to revenue from the publishing of tenders, the rental of television equipment, payables balances written off and income from the signal feeds provided by RTK to foreign stations broadcasting programmes or events from Prishtina to their country.

14. CONTINGENCIES AND COMMITMENTS

There were no significant contingencies and commitments at December 31, 2004 and 2003.

17. RISK MANAGEMENT

Credit risk

In the normal course of its business, the Company is exposed to credit risk on its debtors arising out of its regular operations. The Company manages its exposure to credit risk on a regular basis by closely monitoring those receivables.

Interest rate risk

The Company has no significant exposure to interest rate risk, as the Company has no interest bearing liabilities and its short-term deposits at banks earn interest at a fixed rate.

Foreign exchange risk

The Company is not significantly exposed to foreign exchange risk since its transactions are mostly undertaken in local currency.

Liquidity risk

The Company monitors its liquidity on a periodic basis in order to manage its obligations as and when they fall due.