GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d.o.o.

Financial statements 2009

Ljubljana, February 2010

1. GENERAL DISCLOSURES

The Company was established in 2000 and began to operate in 2004.

As of 1 January 2004, 465 employees of Telekom Slovenije were transferred to GVO and along with them, the activity of building and maintenance works on telecommunication networks. At 31 December 2009, the share capital of the Company amounted to €5,758 thousand.

1.1. Profile of GVO, d.o.o.

Company name:	GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d.o.o. (hereafter the Company)
Registered office:	Cigaletova 10, 1000 Ljubljana, Slovenia

1.2. Principal activity

The principal activity of the Company is:

- Building and maintenance works on telecommunication networks.

1.3. Consolidated financial statements

The sole stakeholder of GVO, d.o.o. is Telekom Slovenije, d.d.. The Annual Report of the Telekom Slovenije Group is available from the head office of Telekom Slovenije d.d., Cigaletova 15, 1000 Ljubljana.

1.4. Employees

At 31 December 2009, the Company employed 409 staff under regular employment.

Average number of employees in the period from January to December 2009 according to the level of professional qualification is described below:

Number of employees according to the required professional qualification	1.1.2009	%	31.12.2009	%	Movements during the year	Average number of employees according to the number of hours worked in terms of their professional qualification
Level 1						
Level 2	8	2	10	2	2	8.20
Level 3	34	8	32	8	-2	31.30
Level 4	173	41	171	42	-2	170.00
Level 5	147	35	138	34	-9	138.90
Level 6	37	9	38	9	1	38.20
Level 7	21	5	20	5	-1	19.80
Masters of Sc. and PhDs		0				
Total	**420**	**100**	**409**	**100**	**-11**	**406.40**

Average number of employees according to the number of hours worked in 2009 was 406.

1.5. Company bodies

Company bodies comprise:

- Supervisory Board - the Management Board of Telekom Slovenije, d.d. performs the tasks of the supervisory body
- The Management Board – its tasks are performed by the Director of the Company.

Company Director: Jožefa Guzej

The Director independently and at her own responsibility manages transactions of the Company for the benefit of the Company. The Director is authorised for the performance of all matters that are not within the authority of the Supervisory Board, i.e. the Management Board of Telekom Slovenije, d.d.. For transactions in excess of €100 thousand, the Director requires consensus of the supervisory body. In the event that the Director is absent or otherwise engaged, by authority her tasks are performed by Edo Škufca, the deputy.

2. SUMMARY OF SIGNIFICANT ACCONTING POLICIES AND DISCLOSURES

2.1. Summary of significant accounting policies

The significant accounting policies used in the preparation of the separate financial statements of GVO, d.o.o. are set out below.

a. Declaration of compliance

The accompanying separate financial statements of GVO, d.o.o. have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC), as adopted by the EU.

At the balance sheet date, due to the endorsement process of the EU, there was no difference in the policies applied by the Company between International Financial Reporting Standards (IFRS) and IFRS adopted by the EU.

Segment reporting

The Company has no geographical or regional segments.

Disclosure of the financial statement items

Notes are an integral part of the financial statements.
The Management Board approved the financial statements on 24 February 2010.

b. Basis of preparation

The financial statements have been prepared on a historical cost basis, taking into account the general rules applicable to the classification and the measurement of the financial statement items, notes to the accounts as well as the requirements relating to the management report, which is sufficient to ensure a true and fair presentation of the Company's operations in the annual report.

Moreover, the fundamental accounting policies such as accrual, going concern and true and fair presentation under changing circumstances of the value of the Euro and individual prices were also considered in the preparation of these financial statements, as were the qualitative characteristics of the financial statements i.e. understandability, relevance, reliability and comparability.

The financial statements are presented in euros, rounded to thousand units.

The accounting policies used are consistent with those applied in the previous year, except for the adoption of new standards and interpretations, noted below.

The adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

IAS 1 - Revised presentation of financial statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

IAS 23 – Borrowing costs
The Standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Company has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

IFRS 2 – Share-Based Payment (amended) – Vesting Conditions and Cancellations
The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.

IFRS 7 – Financial Instruments: Disclosures
The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instruments. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and the liquidity risk disclosures are impacted by the amendments.

IFRS 8 – Operating segments
The new Standard requires an entity to adopt "management approach" to reporting on the financial performance of its operating segments. As such it replaces the requirement for determining and reporting by business and regional segments. If the numbers used by management for internal performance measurement of operating segments are different to the numbers reported in the financial statements, this requires a reconciliation of numbers used by management to the financial statements.

Amendments to **IAS 32** and **IAS 1** – Puttable Financial Instruments
The amendment to IAS 32 requires entities to classify certain items of puttable financial instruments and liabilities arising from liquidation as equity if they fulfil a number of specified criteria. Amendments to IAS 1 require disclosure of certain information regarding puttable financial instruments that are classified as equity.

IFRIC 9 – Reassessment of Embedded Derivative Financial Instruments and **IAS 39** – Financial Instruments: Recognition and Measurement
These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on

circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

IFRIC 12 – Service Concession Agreements
This interpretation outlines the approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for infrastructure as property, plant and equipment, but rather recognize a financial asset and/or intangible asset.

IFRIC 15 – Agreement for the Construction of Real Estate
The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to IFRSs
In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

IAS 1 – Presentation of Financial Statements
Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Company has amended its accounting policy accordingly and examined whether the management's expectations over the period in which assets and liabilities are capitalised differ from the classification of the financial instrument This amendment did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 – Property, Plant and Equipment
Replace the term "net selling price" with "fair value less costs to sell". Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 23 – Borrowing Costs
The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one - the interest expense calculated using the effective interest rate method in accordance with IAS 39. The Company has amended its accounting policy accordingly.

IAS 38 – Intangible Assets
Expenditure on advertising and promotional activities is recognised as an expense when the Company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Company has reassessed the useful lives of intangible assets and found that the use of the straight-line method of amortisation is appropriate.

The following **amendments** had no impact on the accounting policies of the Company, its financial position or operations:

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

IFRS 7 – Financial Instruments: Disclosures

IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors

IAS 10 – Events after the Reporting period

IAS 18 - Revenue

IAS 19 – Employee Benefits

IAS 20 - Accounting for Government Grants and Disclosures of Government Assistance

IAS 27 - Consolidated and Separate Financial Statements

IAS 28 – Investments in Associates

IAS 29 - Financial Reporting in Hyperinflationary Economies

IAS 31 – Interests in Joint Ventures

IAS 34 – Interim Financial Reporting

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 40 – Investment Property

c. Functional currency and foreign exchange transactions
The financial statements are presented in Euro (EUR) which is the functional and presentation currency of the parent company. Foreign currency transactions are translated into the functional currency using the daily exchange rate prevailing on the transaction date.

Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing at the balance sheet date. All differences resulting from foreign currency translation are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

d. Profit from operations

Profit from operations is defined as result before income taxes and finance items. Finance items comprise interest revenue on cash balances in the bank, deposits, interest bearing available for sale investments, interest expense on borrowings, gains and losses on sale of available-for-sale financial instruments and foreign exchange gains and losses on all monetary assets and liabilities denominated in foreign currency.

e. Significant accounting estimates

The preparation of the financial statements required management to make certain estimates and assumptions which impact the carrying values of the Company's assets and liabilities and the disclosure of contingent items at the balance sheet date and reported revenues and expenses for the period then ended.

Estimates are used for, but not limited to:

- depreciable lives and residual values of property, plant and equipment and intangible assets,
- allowances for inventories and doubtful debts,
- legal claims,
- and provisions for performance bonds.

The Company created provisions for accrued costs of performance bonds issued. The amount set is based on contractually specified percentage of the value of work. As a rule, this is 5% only in exceptional cases it can be agreed at 10%. In 2008 and 2009, provisions for performance bonds were made in the amount equal to 3% of the value of work per individual contracts. In all contracts agreed, the warranty period for elimination of defects is usually two years.

In terms of materials used and technological process during which all the relevant and required quality controls of materials and the work are performed, including the use of measuring instruments to obtain readings of electrical and optical characteristics of cables used, almost no performance bods are exercised during the first year of the warranty period. Therefore, no current amounts of long-term provisions were recognised by the Company.

With intense use of newly constructed facilities, the rate by which any deviations from the required quality are identified by the user, increases. As majority of these facilities are buried underground (pipelines, cables, concrete shafts) or laid above the ground (base, overhead cables, and similar), the effect of environment on the facility increases over the time. Typically, performance bonds are exercised in the second year of warranty period.

Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from those estimates.

Provisions and contingent liabilities
The Company's treatment of obligations with uncertain timing and amount depends on the management's estimation of the amount and timing of the obligation and probability of an outflow of resources embodying economic benefits that will be required to settle the obligation (both legal or constructive).

A provision is recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities are assessed continually to determine whether an outflow of resource embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

f. Significant management judgements
In the process of applying the accounting policies, management had made the following judgment concerning intangible assets and property, plant and equipment, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statement.

The Management has concluded that there are no indicators of impairment of property, plant and equipment and intangible assets at year-end and that there are no indicators that fair values of plant and equipment carried at fair value differ materially from carrying values.

g. Early adoption of IFRS and IFRIC interpretations not yet effective
The Company has not early adopted any IFRS or IFRIC interpretations issued and not yet effective.

The following new and amended IFRSs will be adopted in future periods as required by International Financial Reporting Standards:

IFRS 3R Business Combinations and **IAS 27R** Consolidated and Separate Financial Statements
The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 39 - Financial Instruments: Recognition and Measurement - Eligible Hedged Items
These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.

The following new and amended IFRSs will be adopted in future periods as required by International Financial Reporting Standards:

IFRIC 17 Distribution of Non-Cash Assets to Owners

IFRIC 17 becomes effective for annual periods beginning on 1 July 2009. The interpretation provides guidance on how to account for non-cash distribution of assets to owners. The interpretation clarifies when an entity should recognize the liability, how it should be measured, and how to recognize and measure the related assets, as well as when such assets and liabilities should be derecognised in books of accounts.

IFRIC 18 Transfers of Assets from Customers
Applicable to transfers from customers on or after 1 July 2009. The interpretation provides guidance on how to account for property, plant and equipment transferred from customers or cash received for acquisition or construction of specified assets. This guidance applies only to assets used by an entity to connect the customer to a network or to provide the customer with an ongoing access to a supply of goods, services or, in some cases, to do both. The entity must identify the service or services rendered and allocate the received payment (the fair value of assets) to each identifiable service. Revenue should be recognised on delivery or performance of each individual service by the entity.

The following new and amended IFRSs will be adopted in future periods as required by International Financial Reporting Standards, if endorsed by the EU:

IFRS 2 – Cash-settled Share-based Payment Transactions in the Group
Applicable for periods beginning on or after 1 January 2009.
Amendments to IFRS 2 comprise three basic amendments: revised definition of share-based transactions and agreements, the scope of IFRS2, and additional clarification of how to account for cash-settled share-based payment transactions in the group.

IAS 32 – Financial Instruments: Presentation Classification of Rights Issues Denominated in Foreign Currency
Applicable for periods beginning after 1 February 2010. Amendments to IAS 32 allow an entity issuing rights to purchase shares in foreign currency not to recognise the rights as derivatives and to recognise the effect in the profit or loss. These rights are now classified as equity instruments if they fulfil certain criteria.

IAS 24 – Related Party Disclosures
Applicable for periods beginning after 1 January 2011
Amendments to IAS 24 define in more detail and simplify definition of a related party. Furthermore the amended standard reduces the scope of disclosures of transactions of a government owned entity with the government and other government owned entities.

IFRS 9 – Financial Instruments
The Standard replaces IAS 39 and is applicable for periods beginning on 1 January 2013. The first part of the standard introduces new requirements for classifying and measuring financial assets.

The following new and amended IFRSs will be adopted in future periods as required by International Financial Reporting Standards, if endorsed by the EU:

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation becomes effective on 1 July 2010 and provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments (a debt for equity exchange). The interpretation clarifies how to measure and recognise such exchanges.

Improvements to IFRS
In April 2009, the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments described below have so far not been endorsed by the European Union.

IFRS 2 – Share-based Payments – Specification when to apply IFRS 2 and IFRS 3

IFRS 5 – Non-current Assets Held for Sale – Disclosures

IFRS 8 – Operating Segments – Disclosure of Segment's assets

IAS 1 – Presentation of Financial Statements – Current/non-current liability for exchangeable instruments

IAS 7 – Statement of Cash Flows – Classification of expenditure for non-recognised assets

IAS 17 – Leases – Classification of land and buildings

IAS 18 – Revenue – Designation whether an entity acts as a principal or an agent

IAS 36 – Impairment of assets – The largest units to which goodwill may be attributed

IAS 38 – Intangible Assets – Amendments to standard due to the adoption of new IFRS 3 and changes in determination of fair value

IAS 39 – Financial Instruments – Assessment of liquidation damages for prepayment of a credit as an embedded derivative, cash flow hedges

IFRIC 9 – Re-assessment of Embedded Derivatives – impact of IFRS 3 and IFRIC 9

IFRIC 16 – Hedges of a Net investment in a Foreign Operation – Amendment of restriction to an entity allowed to have a hedge

The Company is reviewing the not yet effective standards and interpretations and at this stage cannot reasonably assess the impact of the new requirements. The Company will comply with new standards and interpretations as and when effective.

h. Intangible assets

Intangible assets are stated at cost less accumulated amortisation less impairment losses.

Intangible assets include:

- software used for more than one year,
- concessions, patents and trademarks, and
- other property rights.

Expenditure on computer software is capitalised at cost and amortised on a straight-line basis over its estimated useful lives of between 3 to 5 years. Individual software application licences are amortised over the duration of the relevant contract, which is 2 to 5 years.

Intangible assets are subject to ***amortisation*** once the assets are available for use.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful lives of significant items of intangible assets are reassessed on an annual basis and if expectations differ significantly from earlier estimates, amortisation rates are restated. The effect is explained in the report of the period in which the change occurred.

Furthermore, at year end, the Company checks for any indications of impairment of intangible assets and if so, the replaceable value of such assets is determined.

i. Property, plant and equipment

Property, plant and equipment **owned by the Company** are stated at cost or valuation less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment includes all expenditures that are necessary to make the asset ready for its intended use including costs of preparing the construction site and easement fees.

The cost of an asset may include the initial assessment of costs of dismantling, removal and restoration providing the relevant project exists. At the year end the person responsible assesses whether there were any changes to the estimated costs.

Costs of borrowing that may be directly attributed to the acquisition, construction or production of an asset under construction are also a part of the cost of an item of property, plant and equipment.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Internal expenses capitalised in fixed assets are recognised in the profit or loss on a monthly basis as a reduction of costs in line with the calculation of work orders and projects.

When an item of property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items of property, plant and equipment.

All leases other than finance leases are regarded as ***operating leases***. Lease payments under an operating lease are recognised as an expense in the income statement on a straight-line basis over the lease term.

If the operating lease contract is terminated prior to the expiration of the lease term, each lease payment required by the lessor as a penalty for the breach of contract is recorded as expense in the period, in which the contract is terminated.

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment is capitalised. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense when incurred.

In the event of subsequent expenditure on the asset, the remaining useful life of the asset is re-evaluated. If the asset has already been fully depreciated, the subsequent expenditure is treated as a new item with new useful life.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. In a fiscal year, depreciation is allocated to individual periods on a straight-line basis.

Depreciation is calculated individually and the Company is free to determine annual depreciation rates based on the useful life of an individual item of property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

Groups of property, plant and equipment	Useful lives (in years)
Instruments	5
Standard and specialised tools	5
Motor vehicles (cars, lorries, trailers)	6 to 10
Construction machinery and equipment	8
Other equipment	2 to 12

Property, plant and equipment under construction are not depreciated.

An item of property, plant and equipment under construction is recognized at cost and depreciated when brought to working condition for its intended use.

Useful lives of significant items of intangible assets are reassessed on an annual basis and if expectations differ significantly from earlier estimates, amortisation rates are restated. The effect is explained in the report of the period in which the change occurred.

Furthermore, at year end, the Company checks if there are any indications of impairment of an item of property, plant and equipment and if so, the replaceable value of such assets is determined.

j. Investments

Initially, investments are measured at fair value increased by the cost of transaction that arise directly from the acquisition or issue of a financial instrument with exception of assets classified at fair value through profit or loss.

Investments in subsidiaries are accounted for at cost in the separate financial statements.

Investments in associates and joint ventures are carried at cost less impairment in the separate financial statements.

Investments in debt and equity securities classified as ***available-for-sale*** financial assets are carried at fair value.

The fair value of investments in debt and equity securities listed on the stock exchange is their quoted price. If the financial instruments are not listed on the stock exchange and their fair value cannot be reliably determined, they are stated at cost.

Any unrealized gains or losses arising on revaluation are recognised in the net amount directly in equity and the statement of comprehensive income. When an investment is derecognised, accumulated gains or losses previously recognised in equity are also derecognised in the profit or loss with the reclassification recognised in the statement of comprehensive income. .

Available-for-sale investments are recognised (or derecognised) on the date of commitment to purchase or sell.

Interest on debt securities is recognised in the income statement at the effective interest rate.

Loans are stated at amortised cost less impairment losses.

The Company assesses at each balance sheet date whether financial assets or groups of financial assets are impaired. If the value of an item of the financial assets has been significantly or permanently reduced, allowance of its initial value is charged to revaluation financial expenses.

At each balance sheet date it is assessed whether there is objective evidence that ***an impairment loss on loans carried at amortised cost*** has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement as revaluation financial expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement and only to the extent that the carrying amount of the financial asset does not exceed its amortised cost at the reversal date.

If an available-for-sale asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement with the reclassification recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss.

A financial asset is de-recognised when:

- the rights to receive cash flows from the asset have expired,
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- the Company has transferred its rights to receive cash flows from the assets and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

k. Derivative financial instruments

Derivative financial instruments are used to hedge the Company's exposure to risks arising from financing and investing activities.

Derivative financial instruments are recognized at fair value. The method of recognition of gains or losses arising from the change in fair value depends upon whether hedge accounting has been applied or not.

When hedge accounting has been applied the recognition of gains or losses arising from the change in fair value depends on the type of hedging:

- When a derivative instrument is designated as a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity in the statement of comprehensive income. When the forecasted transaction results in the recognition of an asset or a liability, the associated cumulative gains or losses that were recognised directly in equity are removed from equity and entered into the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, amounts that have been recognised directly in equity are included in net profit or loss in the same period during which the hedged forecasted transaction affects net profit or loss. The reclassification is recognised in the statement of comprehensive income.
- The ineffective portion of the cash flow hedge is immediately recognized in the income statement.

When hedge accounting has not been applied, derivative financial instruments are accounted for at fair value with changes in fair value recognised in the income statement.

If the hedging instrument expires, yet the forecasted transaction is still expected to occur, the cumulative gain or loss on the hedging instruments that initially had been reported directly in equity when the hedge was effective remains separately in equity until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that initially has been reported directly in equity is reported in the income statement. The reclassification is recognised in the statement of comprehensive income.

l. Other non-current assets

The difference between the selling price and the purchase cost is reported within deferred costs in line with the expected subscription period.

Over the period of the subscription agreement, deferred costs are amortised proportionally to the cost of sale incentives, starting at the inception of the contractual period.

If a subscription agreement is terminated or a subscriber is disconnected from the network due to non-payment of bills, subsidies are impaired accordingly.

m. Inventories
A quantity unit of inventories of materials and merchandise is stated at cost comprising purchase price inclusive of discounts granted, import duties and other non-refundable purchase duties, as well as costs directly attributable to the acquisition.

Low-value inventories include the following items: tools, work uniforms and footwear, protective clothing and footwear, packaging and car tyres – all kept in the warehouse. Declining values of inventories are accounted for using the average prices method. They are expensed when they are put to use. The Company maintains special records by quantity and value.

Slow–moving inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. At the year-end, inventories are revalued to account for impairment if their carrying value exceeds their net realizable value.

If prices of newly acquired inventories in the accounting period differ from prices of inventories of the same type that are kept in stock, declining quantities of inventories are accounted for using the moving average prices method.

Inventories are assessed regularly for signs of impairment. If such signs exist, inventories are revalued. The impairment loss is recognised as an item of revaluation operating expenses.

n. Trade and other receivables
Trade receivables are recognized at cost less any impairment losses.

Receivables that are believed not to be settled within the agreed terms or might only be partly collected, are regarded as doubtful receivables; when proceedings have been introduced relating to their collection, the receivables are treated as disputed.

Impairment loss is recognised on receivables when their carrying amount exceeds their fair value, i.e. the recoverable amount. Allowances for domestic accounts receivable are made on the basis of their maturity structure at the end of teach accounting period, using the following criteria:

- 50% allowance for trade receivables pass due from 90 and 180 days,
- 75% allowance for trade receivables pass due from 181 to 365 days,
- 100% allowance for trade receivables pass due in excess of 365 days.

Allowances for other trade receivables are either made individually or in the manner as described above.

An individual trade receivable is written-off on the basis of the relevant document proving that the outstanding amount is uncollectible and that all measures have been taken to recover the outstanding amount (court ruling, decision on compulsory composition or bankruptcy, and other relevant documents).

o. Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturities of up to three months with insignificant risk of change in fair value.

p. Dividends
Dividends are recognised as a liability in the period in which they are approved.

r. Provisions
A provision is recognized in the financial statements when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If material, the provisions are determined by discounting the expected future cash flows.

Provisions for probable liabilities from legal actions are formed on the basis of the estimation of the actions' outcome.

Provisions for termination benefits and anniversary bonuses
In accordance with the statutory requirements, the collective agreement, and the internal rules and regulations, the Company is obligated to pay jubilee benefits and termination benefits upon retirement.

Provisions are formed in the amount of estimated future payments of termination benefits and jubilee benefits discounted at the balance sheet date. A calculation is made per individual employees taking into account the cost of termination benefit upon retirement and the cost of all expected anniversary benefits by the time of retirement, using the projected unit credit method. At each year-end, the amount of provisions is assessed and either increased or decreased accordingly.
The Company has no other pension liabilities.

s. Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at amounts from relevant documents that evidence the receipt of cash or payment of an operating debt, which is their fair value.

Subsequent to initial recognition interest bearing borrowings are stated at amortized cost with any differences between cost and the redemption value being recognized in the income statement over the terms of the loans on an effective interest rate basis.

If the actual or agreed rate of interest does not significantly differ from the effective rate of interest, interest bearing borrowings are reported in the balance sheet at initial value reduced by any repayments.

t. Trade and other liabilities
Trade and other payables are initially stated at cost. Subsequent to initial recognition, trade and other payables are stated at amortized cost.

u. Short-term deferred items

Accrued costs comprise costs of holidays not taken, accrued payroll costs, awards and costs of international services assessed on the basis of services rendered for which invoices have not yet been issued.

v. Revenue
Revenue includes the sales value of materials sold and services rendered in the accounting period.

The revenue from services is recognised when services are rendered and there are no significant uncertainties regarding recovery of the consideration due.

Revenue from sale of materials is recognised when the sale is made.

z. Finance income
Interest income is recognised in the profit or loss as the interest accrues (using the effective interest method) to the net carrying amount of the financial assets.

Dividend income is recognised in the income statement on the date dividends are declared.

aa. Income tax
Income tax for the year comprises current and deferred tax.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

A deferred tax asset or liability is recognised irrespective of the time period in which temporary differences are settled.

Deferred tax is charged or credited directly to equity, if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

3. FINANCIAL STATEMENTS

3.1. INCOME STATEMENT for the year ended 31 December 2009

In TEUR	notes	2009	2008
1. Net sales	**4.1.1.**	**35,550**	**40,562**
a) Sale of products and services		34,636	40,562
- in the local market		34,636	40,562
b) Sale of goods and materials		914	0
- in the local market		914	0
2. Other operating revenue	**4.1.1.**	**73**	**88**
Government grants		10	2
Revaluation operating revenue		0	33
Other revenue		63	53
3. Costs of goods sold	**4.1.2.**	**33,873**	**37,212**
Costs of materials and power supply, and costs of materials sold		7,297	10,155
Costs of services		12,643	12,377
Labour costs		12,531	13,485
Amortization and depreciation		1,144	982
Other operating expenses		258	213
4. Operating profit		**1,750**	**3,438**
Finance revenue		**89**	**203**
Interest income		89	203
Finance expenses		**2**	**1**
Interest costs		2	1
5. Financial profit		**87**	**202**
6. Pre-tax profit		**1,837**	**3,640**
Income tax		244	808
Deferred tax		100	-30
7. Net profit for the year		**1,493**	**2,862**

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2009

In TEUR	*2009*	*2008*
Net profit for the period	***1,493***	***2,862***
Net gain on revaluation of AFS financial assets	*0*	*0*
Changes in revaluation of fixed assets	*0*	*0*
Net gain or loss from revaluation of fixed assets	*0*	*0*
Other comprehensive income	*0*	*0*
Total comprehensive income	***1,493***	***2,862***

3.2. BALANCE SHEET at 31 December 2009

ASSETS			In TEUR
	notes	31.12.2009	31.12.2008
I. Intangible assets	**5.1.1.**	**41**	**58**
2. Licences		41	57
3. Software		0	1
II. Property, plant and equipment	**5.1.2.**	**4,196**	**4,105**
2. Other plant and equipment		4,196	4,105
III. Investments in subsidiaries		**0**	**0**
IV. Investments in associates and joint ventures		**0**	**0**
V. Other investments	**5.1.3.**	**245**	**319**
4. Loans to employees		239	309
5. Receivables from sale of flats and similar		6	9
VI. Other non-current assets		**7**	**0**
1. Other non-current assets		7	0
VII. Investment property		**0**	**0**
VIII. Deferred tax assets		**567**	**667**
TOTAL NON-CURRENT ASSETS		**5,056**	**5,149**
I. Assets (disposal groups) held for sale		**0**	**0**
II. Inventories	**5.1.4.**	**1,354**	**1,281**
1. Material		1,354	1,281
III. Trade and other receivables, and deferred costs and accrued revenue	**5.1.5.**	**15,675**	**19,101**
1. Trade receivables		3,363	2,763
2. Trade receivables due from related parties		11,589	15,683
4. Advances		0	1
5. VAT and other tax receivables		580	346
6. Prepaid expenses		110	257
7. Other receivables		33	50
IV. Income tax receivables		**528**	**304**
V. Short-term investments	**5.1.3.**	**3.061**	**382**
1. Short-term loans		3.061	382
a) Loans to group companies		3.001	295
b) Other short-term loans and deposits		60	87
VI. Cash	**5.1.6.**	**783**	**192**
2. Cash at bank		782	189
3. Short-term deposits with maturity of up to 3 months		1	3
TOTAL CURRENT ASSETS		**21,401**	**21,260**
TOTAL ASSETS		**26,457**	**26,409**

The accompanying notes are an integral part of these financial statements.

EQUITY AND LIABILITIES			In TEUR
EQUITY	**Notes**	**31.12.2009**	**31.12.2008**
I. Share capital		**5,758**	**5,758**
1. Share capital		5,758	5,758
II. Reserves		**576**	**571**
1. Capital surplus		1	1
4. Legal reserves		575	570
III. Treasury shares		**0**	**0**
IV. Revaluation reserve		**1**	**1**
V. Revaluation reserve for trading securities		**0**	**0**
VI. Retained earnings		**2,524**	**3,536**
1. Retained earnings		1,036	817
2. Net profit for the year		1,488	2,719
TOTAL EQUITY AND RESERVES	**5.1.7.**	**8,859**	**9,866**
I. Long-term deferred revenue		**0**	**0**
II. Provisions	**5.1.8.**	**3,699**	**4,097**
2. Provisions for termination benefits		949	1.017
3. Other provisions		2,750	3,080
III. Long-term borrowings		**0**	**0**
IV. Long-term trade liabilities		**0**	**0**
V. Deferred tax liabilities		**0**	**0**
TOTAL LONG-TERM LIABILITIES		**3,699**	**4,097**
I. Liabilities of disposal groups			
II. Short-term trade and other liabilities	**5.1.9.**	**12,033**	**10,952**
1. Short-term trade liabilities		8,649	4,980
2. Liabilities to group companies		1,768	4,327
4. VAT payable and other tax liabilities		322	268
5. Payables to employees		1,022	1,194
6. Other liabilities		272	184
III. Income tax		**0**	**0**
IV. Short-term borrowings		**0**	**0**
V. Other short-term financial liabilities		**0**	**0**
VI. Short-term deferred revenue		**0**	**0**
VII. Short-term accrued costs and expenses	**5.1.10.**	**1,866**	**1,494**
1. Accrued costs and expenses		1,866	1,494
TOTAL SHORT-TERM LIABILITIES		**13,899**	**12,446**
TOTAL LIABILITIES		**17,599**	**16,543**
TOTAL EQUITY AND LIABILITIES		**26,457**	**26,409**

The accompanying notes are an integral part of these financial statements.

3.3. CASH FLOW STATEMENT for the year ended 31 December 2009

in TEUR	2009	2008
Cash flows from operating activities		
a) Profit before tax	1,837	3,640
b) Adjustments for:		
Depreciation and amortization	1,144	982
Impairment and write-offs of fixed assets	25	14
Gains on disposal of fixed assets	0	-33
Finance expenses	2	1
Finance revenue	-89	-203
Changes in trade and other receivables	3,527	902
Changes in other non-current assets	-7	0
Changes in inventories	-73	-281
Changes in provisions	-398	611
Changes in accrued costs and expenses	372	-188
Changes in trade and other liabilities	1,087	630
Income tax expense	-496	-1,212
c) Net cash from operating activities	6,930	4,864
B. Cash flows from investing activities		
a) Cash receipts from investing activities	9,979	4,877
Cash receipts from disposal of fixed assets	0	24
Interest received from investing activities	89	203
Cash receipts from disposal of short-term investments	9,890	4,650
b) Cash disbursements from investing activities	-13,818	-6,421
Cash disbursements to acquire fixed assets	-1,218	-1,452
Cash disbursements to acquire investments	0	-30
Cash disbursements for loans	-12,600	-4,940
c) Net cash used in investing activities	-3,839	-1,544
C. Cash flows from financing activities		
a) Cash receipts from financing activities	0	0
b) Cash disbursements from financing activities	-2,501	-4,000
Interest paid	-1	0
Dividends paid	-2,500	-4,000
c) Net cash used in financing activities	-2,501	-4,000
Net cash inflow or outflow for the period	590	-681
D. Closing balance of cash	782	192
Opening balance of cash	192	873

The accompanying notes are an integral part of these financial statements.

3.4. STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2009

Year 2009 **in TEUR**	Called-up capital	Treasury shares	Reserves	Retained earnings	Revaluation reserve for FA	Total
Opening balance at 01.01.2009	**5,758**	**0**	**571**	**3,536**	**1**	**9,866**
Net profit for the year				1,493		**1,493**
Other comprehensive income for the period					0	**0**
Total comprehensive income	**0**	**0**	**0**	**1,493**	**0**	**1,493**
Transfer to reserves – decision of the General Meeting			5	-5		**0**
Dividend distribution - resolution No.14671723				-2,500		**-2,500**
Closing balance at 31.12.2009	**5,758**	**0**	**576**	**2,524**	**1**	**8,859**

Year 2008 **in TEUR**	Called-up capital	Treasury shares	Reserves	Retained earnings	Revaluation reserve for FA	Total
Opening balance at 01.01.	**5,758**	**0**	**428**	**4,817**	**1**	**11,004**
Net profit for the year				2,862		**2,862**
Other comprehensive income for the period					0	**0**
Total comprehensive income	**0**	**0**	**0**	**2,862**	**0**	**2,862**
Transfer to reserves - decision of the General Meeting			143	-143		**0**
Dividend distribution - resolution No.102/1164				-4,000		**-4,000**
Closing balance at 31.12.2008	**5,758**	**0**	**571**	**3,536**	**1**	**9,866**

The accompanying notes are an integral part of these financial statements.

3.5. SPECIAL SUPPLEMENT TO THE STATEMENT OF CHANGES IN EQUITY

		In TEUR
	2009	***2008***
Net profit for the year	*1,493*	*2,862*
+ retained earnings	*1,036*	*817*
- increase in legal reserves	*-5*	*-143*
Profit available for distribution by the General Meeting	***2,524***	***3,536***

4. NOTES TO THE INCOME STATEMENT

4.1. Income statement

4.1.1 Revenue

in TEUR	2009	2008
Operating revenue	35,623	40,650
Finance revenue	89	203
Total revenues	**35,712**	**40,853**

Operating revenue

Revenue from the sale of materials is measured at selling prices stated in invoices and other documents.

Revenue from services rendered other than services from which financial revenue is earned, is measured at the selling prices of services completed, or at the selling prices of uncompleted services with respect to the stage of their completion.

in TEUR	2009	2008
a) Revenue from the sale of services on the local market	34,636	40,562
b) Revenue from the sale of materials on the local market	914	0
c) Other revenue	73	88
Total operating revenues	**35,623**	**40,650**

In TEUR	2009	Share	2008	Share
1. NET SALES	**35,550**	**100%**	**40,562**	**100%**
a) Revenue from the sale of services	***34,636***	***97%***	***40,562***	***100%***
1.1. SALES TO RELATED PARTIES	*25,873*	*73%*	*37,322*	*92%*
- Revenue from investment construction	*16,101*	*45%*	*27,517*	*68%*
- Revenue from investment maintenance	*880*	*2%*	*1,249*	*3%*
- Revenue earned on preventive elimination of defects, other	*8,892*	*25%*	*8,555*	*21%*
- Revenue from preventive maintenance	*1,410*	*4%*	*1,712*	*4%*
- Revenue from elimination of defects	*6,389*	*18%*	*6,059*	*15%*
- Other revenue	*1,093*	*3%*	*784*	*2%*
-> OF THAT INDIRECT SALES ON THE MARKET	*1,843*	*5%*	*2,356*	*6%*
1.2. SALES ON THE MARKET	*8,397*	*24%*	*3,840*	*9%*
- Other revenue	*2,744*	*8%*	*3,840*	*9%*
- Revenue from investment projects - GOŠO	*5,653*	*16%*	*0*	
-> INDIRECT AND DIRECT SALES ON THE MARKET	*10,240*	*29%*	*6,196*	*15%*
- REVENUE – PROVISIONS FOR ELIMINATION OF DEFECTS DURING THE WARANTY PERIOD	366	*1%*	-599	*-1%*
b) Revenue from the sale of materials	**914**	***3%***	**0**	***0%***
- REVENUE FROM THE SALE OF MATERIALS	914	*3%*	0	*0%*

The Company realised 73% of total sales from transactions with related parties i.e. building and maintenance of the telecommunications network of Telekom Slovenije, d.d.. 24% of total revenue was achieved on the local market; of that as much as 16% relates to the GOŠO project. In 2009 other operating revenue accounted for less than 1% of total revenue.

4.1.2 Expenses

in TEUR	2009	2008
Operating expenses	33,873	37,212
Financial expenses	2	1
Total Expenses	**33,875**	**37,213**

Operating expenses

Operating expenses comprise costs of materials, cost of materials sold, power supply, services, labour, amortization and depreciation expense, and accrued costs, as well as revaluation operating expenses.

Operating expenses are recognised when materials are sold, while other costs are expensed when incurred.

Revaluation operating expenses are recognised when the relevant revaluation is made regardless of their impact on profit or loss.

in TEUR	2009	2008
Costs of materials and energy and costs of materials sold	**7,297**	**10,155**
Costs of materials	6,365	9,791
Cost of power supply	474	364
Costs of materials sold	459	0
Costs of services	**12,643**	**12,377**
Transportation services	173	188
Costs of property, plant and equipment hire	370	696
Costs of property, plant and equipment maintenance	367	270
- regular maintenance	367	270
- major repair and overhaul	0	0
Reimbursement of labour costs	81	53
Intellectual services	887	834
Insurance premiums	64	65
Costs of trade fairs and advertising	73	53
Hospitality	29	46
Bank charges	13	9
Costs of other services	10,585	10,163
Labour costs	**12,531**	**13,485**
Salaries and salary substitutes	8,283	8,799
Social security contributions	1,843	1,905
- of that pension and disability insurance contributions	1,212	1,236
Other labour costs	2,406	2,781
Depreciation	**1,144**	**982**
Amortisation of intangible assets	17	30
Depreciation of property, plant and equipment	1,127	952
Other operating expenses	**258**	**213**
Total operating expenses	**33,873**	**37,212**

Income tax

Income tax is calculated on the basis of revenue and expenses included in the income statement in accordance with the current tax legislation (ZDDPO-2). In 2009, income tax liability was calculated at the rate of 21% of the tax basis.

Income tax expense recognized in the income statement

In TEUR	2009	2008
Current tax expense	-244	-808
Deferred tax assets/liabilities	-100	30
Income tax expense charged against profit or loss	**-344**	**-778**

Reconciliation of actual and computed tax expense

In TEUR	2009	2008
Profit before tax under IFRS	1,837	3,640
Income tax using the domestic corporation tax rate	-386	-801
Untaxed dividends received		
Tax incentives used in the current period	136	135
Reversal of tax incentives used in previous periods		-1
Effect of change in the tax rate	-1	-1
Non-deductible expenses	-93	-110
Other items		
Total income tax expense	**-344**	**-778**

Deferred tax

Deferred tax is calculated using the balance sheet liability method. Deferred tax assets represent the amounts of income tax to be refunded in future periods on account of:

- Deductible temporary differences,
- Carry forward of unused tax losses to future periods, and
- Carry forward of unused tax credits to future periods.

Change in deferred tax assets/liabilities recognized in the income statement

In TEUR	2009	2008
Intangible assets		
Property, plant and equipment	1	3
Investments		
Provisions	-127	3
Receivables	26	24
Provisions for prepaid expenses		
Other assets		
Change in deferred tax assets/liabilities	**-100**	**30**

Deferred tax assets

In TEUR	2009	2008
Intangible assets		
Property, plant and equipment	8	7
Investments and financial assets		
Trade receivables	70	44
Inventories		
Other non-current assets		
Provisions	489	616
Deferred tax assets	**567**	**667**

5. Notes to the balance sheet

5.1. Balance sheet

5.1.1 Intangible assets

This group comprises long-term industrial rights.

Amortization of intangible assets begins on the day when the assets are made ready for their use, which is recorded in the Report by the authorised person.

Long-term industrial rights comprise amounts paid for software applications whose individual cost exceeds €500.

Amortization of an item of intangible assets begins when the asset is made available for its intended use.

At 31 December 2009, the Company reports software application with useful life of 3 years, and concessions, patents and trademarks (Avtodesk map 3D - network licence), with the useful life of 5 years.

Intangible assets in 2009 in TEUR

Year 2009 in TEUR	Goodwill	Licences	Software	Other intangible assets	Intangibles under construction	Advances	Total
COST							
Balance at 01.01.2009	**0**	**83**	**55**	**0**	**0**	**0**	**138**
Additions							0
Disposals							0
Balance at 31.12.2009	**0**	**83**	**55**	**0**	**0**	**0**	**138**
ACCUMULATED AMORTIZATION							
Balance at 01.01.2009	**0**	**26**	**54**	**0**	**0**	**0**	80
Disposals							0
Amortization expense for the year		16	1				17
Balance at 31.12.2009	**0**	**42**	**55**	**0**	**0**	**0**	**97**
CARRYING AMOUNT							
Balance at 01.01.2009	0	57	1	0	0	0	58
Balance at 31.12.2009	**0**	**41**	**0**	**0**	**0**	**0**	**41**

Intangible assets in 2008 in TEUR

Year 2008 in TEUR	Goodwill	Licences	Software	Other intangible assets	Intangibles under construction	Advances	Total
COST							
Balance at 01.01.2008		**83**	**55**				**138**
Additions							0
Disposals							0
Balance at 31.12.2008	**0**	**83**	**55**	**0**	**0**	**0**	**138**
ACCUMULATED AMORTIZATION							
Balance at 01.01.2008		**9**	**41**				50
Disposals							0
Amortization expense for the year		17	13				30
Balance at 31.12.2008	**0**	**26**	**54**	**0**	**0**	**0**	**80**
CARRYING AMOUNT							
Balance at 01.01.2008	0	74	14	0	0	0	88
Balance at 31.12.2008	**0**	**57**	**1**	**0**	**0**	**0**	**58**

5.1.2 Property, plant and equipment

The items of property, plant and equipment comprise motor vehicles, computer hardware, other equipment and property, plant and equipment in the process of being acquired.

Property, plant and equipment in 2009 in TEUR

Year 2009	Other equipment	Assets under construction	Advances for property, plant and equipment	Total
COST				
Balance at 1.1.2009	**8,322**			**8,322**
Additions	1,243	1,243		2,486
Disposals, write-offs	-91	-1,243		-1,334
Balance at 31.12.2009	**9,474**	**0**	**0**	**9,474**
ACCUMULATED DEPRECIATION				
Balance at 1.1.2009	**4,217**			**4,217**
Depreciation expense for the year	1,127			**1,127**
Additions				0
Disposals, write-offs	-66			-66
Balance at 31.12.2009	**5,278**	**0**	**0**	**5,278**
CARRYING AMOUNT				
Balance at 1.1.2009	**4,105**	**0**	**0**	**4,105**
Balance at 31.12.2009	**4,196**	**0**	**0**	**4,196**

Property, plant and equipment in 2008 in TEUR

Year 2008	Other equipment	Assets under construction	Advances for property, plant and equipment	Total
COST				
Balance at 1.1.2008	**7,025**			**7,025**
Additions	1,455			1,455
Disposals, write-offs	-158			-158
Balance at 31.12.2008	**8,322**	**0**	**0**	**8,322**
ACCUMULATED DEPRECIATION				
Balance at 1.1.2008	**3,395**			**3,395**
Depreciation expense for the year	952			**952**
Additions				0
Disposals, write-offs	-130			-130
Balance at 31.12.2008	**4,217**	**0**	**0**	**4,217**
CARRYING AMOUNT				
Balance at 1.1.2008	**3,630**	**0**	**0**	**3,630**
Balance at 31.12.2008	**4,105**	**0**	**0**	**4,105**

No items of property, plant and equipment are pledged as collateral.

5.1.3 Investments

Investments represent long-term housing loans granted to employees. Current amounts that mature in a period of one year are reported as short-term investments.

Investments in loans are recognised at amortised cost which is the principal amount of the loan. On the basis of the terms of the contracts, the principal amount includes also the attributed interest.
Loans bear interest at the rate of between 3.75% and 6.228%.

Short-term investments also include loans granted to group companies, which bear interest at the rate of 5.407%.

Loans and held-to-maturity investments

Loans are measured at amortised cost using the effective interest method. Impairment loss is recognised for loans, which the Company expects not to be repaid.

Loans are inclusive of interest receivables.

Hedging

Since the Company does not consider the investments as risk positions, they are not hedged.

5.1.4 Inventories

Inventories represent primarily material used for telecommunications activity.

In 2009, the Company recognised inventory impairment of EUR 7 thousand and write-off of obsolete material of EUR 6 thousand.

5.1.5 Trade and other receivables, and deferred costs and accrued revenue

Structure of receivables

Review of receivables maturity in 2009

31.12.2009		**In TEUR**
Item	Due from others	Due from the group
Neither past due nor impaired	3,337	10,192
Past due and impaired	122	
Past due but not impaired		
- up to 30 days	204	92
- 31 to 60 days	100	109
- 61 to 90 days	147	128
- 91 to 120 days	61	144
- 121 days and more	46	993
TOTAL PAST DUE BUT NOT IMPAIRED	558	1,466
TOTAL RECEIVABLES	4,017	11,658

Review of receivables maturity 2008

31.12.2008		**in TEUR**
Item	Due from others	Due from the group
Neither past due nor impaired	1,996	14,010
Past due and impaired	52	
Past due but not impaired		
- up to 30 days	261	377
- 31 to 60 days	259	140
- 61 to 90 days	291	237
- 91 to 120 days	73	208
- 121 days and more	251	946
TOTAL PAST DUE BUT NOT IMPAIRED	1,135	1,908
TOTAL RECEIVABLES	3,183	15,918

Movement of impairment allowance: **In TEUR**

Movement of impairment allowance	**2009**	**2008**
Balance at 1.1.	**-214**	**-96**
Allowances made during the year	-220	-189
Allowance reversal	80	
Utilisation		71
Exchange rate differences		
Balance at 31.12.	**-354**	**-214**

None of the receivables are insured and none have been pledges as collateral.

74% of the short-term receivables are due from group companies.

5.1.6 Cash

The revaluation of cash arises in association with cash expressed in foreign currencies if the foreign exchange rate changed after the initial recognition. The resulting exchange differences either increase or decrease the initially recognised amount and are recorded as ordinary financial revenue or ordinary financial expenses.

5.1.7 Equity

Total equity consists of called-up capital, capital surplus, legal reserves, retained earnings or accumulated loss, and undistributed net profit or unsettled loss of the financial year.

Capital surplus includes the amount of reversed general capital revaluation adjustment.

Legal reserves are created until total amount of capital surplus and legal reserves reaches 10% of the share capital of the Company. In an individual financial year, the Company may allocate 5% of the net profit reduced by the amounts used for loss settlement to legal reserves in accordance with paragraph 3, Article 64 of the Companies Act (ZGD-1).

The statement of changes in equity shows distribution of the net profit of 2009 in accordance with the Companies Act (paragraphs 1 and 2, Article 230, and paragraph 4, Article 64).

5.1.8 Provisions

Provisions are made for present obligations that arise from obligating past events and are expected to be settled in a period of more than one year and a reliable estimate can be made of the amount of obligations.

Provisions for warranties

The Company makes provisions for accrued costs of warranties if these can be reliably assessed on the basis of contracts for services rendered.

Provisions for termination and jubilee benefits

Formation of provisions for termination and jubilee benefits is based on the actuarial calculation as at 31 December 2009.

Provisions are not revalued, however, at the end of the year they are adjusted to the present value of estimated future payments to settle the obligations.

in TEUR	Long-term accrued costs - provisions for collateral	Provisions for pensions and similar obligations	Other provisions	Total
Balance at 1.1.2009	**3,020**	**1,017**	**60**	**4,097**
Utilisation	-1,362	-46	-9	**-1,417**
Reversal				**0**
Formation	996	-22	45	**1,019**
Balance at 31.12.2009	**2,654**	**949**	**96**	**3,699**

Two lawsuits were brought against the Company in 2009 of total EUR 73 thousand of claims, while a labour related lawsuit is currently in progress at the court for a claim of total EUR 1.2 million.
The Management believe that no provisions are necessary for the two lawsuits.

5.1.9 Short-term operating liabilities

At 31 December 2009, the Company reports short-term liabilities to others and to group companies.

Trade and other liabilities as at 31.12.2009 in TEUR	*To others*	*To the Group*
Supplier payables	*8,649*	*1,768*
VAT and other taxes payable	*322*	*0*
Payables to employees	*1,022*	*0*
Liabilities for advances	*22*	*0*
Other liabilities	*250*	*0*
Total	*10,265*	*1,768*

Trade and other liabilities as at 31.12.2008 in TEUR	*To others*	*To the Group*
Supplier payables	*4,980*	*4,327*
VAT and other taxes payable	*268*	*0*
Payables to employees	*1,194*	*0*
Liabilities to local operators	*1*	*0*
Other liabilities	*182*	*0*
Total	6,625	4,327

5.1.10 Short-term accrued costs and expenses

Short-term accrued costs and expenses comprise the amounts incurred but not yet charged against the activity of the Company and they do not affect profit or loss. These include primarily accrued costs of holidays, and accrued costs of termination and jubilee benefits.

in TEUR

Item	Balance at 1.1.2009	Balance at 31.12.2009
Short-term accrued costs	**1,494**	**1,866**
Accrued costs of holidays	334	444
Accrued salaries	362	0
Accrued severance pay	699	823
Accrued incentives	74	48
Other	25	551
Short-term deferred revenue	**0**	**0**
TOTAL	**1,494**	**1,866**

in TEUR

Item	Balance at 1.1.2008	Balance at 31.12.2008
Short-term accrued costs	**1,682**	**1,494**
Accrued costs of holidays	331	334
Accrued salaries	436	362
Accrued severance pay	611	699
Accrued incentives	45	74
Other	259	25
Short-term deferred revenue	**0**	**0**
TOTAL	**1,682**	**1,494**

5.1.11 Commitments

In 2009, the Company recognised operating lease liabilities of €370 thousand (2008: €696 thousand) for the lease of property, plant and equipment.

5.1.12 Off balance sheet records

The off balance sheet records comprise collaterals in the form of bank warranties and bills of exchange granted for tenders and performance bonds in total €1,888 thousand (€1,069 thousand in 2008).

5.1.13 Cash flow statement

The cash flow statement is presented under the indirect method, based on the balance sheet data as of 1 January and 31 December 2009, the income statement data for the financial year ended 31 December 2009, as well as additional data necessary for the adjustment of receipts.

5.1.14 Statement of changes in equity

The statement of changes in equity shows changes in equity that occurred in the financial year 2009.

The following changes in equity occurred in 2009:

- Equity inflows – net profit for the 2009 year in the amount of €1,493 thousand.
- Changes within equity – formation of legal reserve in the amount of €5 thousand.
- Equity outflows – dividend payment in the amount of €2,500 thousand.

6. OTHER DISCLOSURES

6.1. Remuneration of the Management Board and staff on individual contracts

Total receipts in 2009:

in EUR

Director	174,116
Management on individual contracts for which tariff part of the collective agreement does not apply	354,308
Total	**528,424**

The amounts above comprise salaries and salary substitutes, other costs of labour (pay for annual holiday, other personal receipts, net reimbursements, benefits including the use of company cars for private purposes, reimbursements of costs associated with labour, and voluntary additional pension insurance premiums).

6.2. Related party transactions

In its disclosure of information concerning groups of persons, the Company complies with the provisions of the Companies Act (ZGD-1) that require disclosure of data concerning the management and key personnel as well as managers on individual contracts for which the tariff part of the collective agreement does not apply.

Housing loans in EUR	Repaid in 2009	Balance at 31.12.2009
Director	0	0
Managers on individual contracts for which the tariff part of the collective agreement does not apply.	5,777	0

6.3. Costs of jubilee benefits

Jubilee benefits in EUR	Number of employees	Amount
Jubilee benefit for 10 years of service	4	1,840
Jubilee benefit for 20 years of service	18	12,402
Jubilee benefit for 30 years of service	19	17,461
Total	**41**	**31,703**

6.4. Events subsequent to the balance sheet date

No events have occurred after the balance sheet date which would require adjustment of these financial statements or which should be separately disclosed in the notes to these financial statements.

6.5. Audit fees

Year 2009	In EUR
Audit of the Annual Report	10,000
Other auditing services	
Tax advisory services	
Other non-auditing services	
Total	**10,000**

6.6. Financial risk management

Currency risk
The Company's exposure to the foreign currency risk arises from foreign currency transactions and is associated primarily with transactions with foreign suppliers of goods and services. Since the majority of suppliers are located in the Euro and US$ currency zone, the Company assesses its exposure to foreign currency risk as low. No special instruments are used to hedge against the foreign currency risk.

Interest rate risk
Interest rate risk is the risk of the negative impact of changes in market interest rates on the results of the Company's operations. The interest structure of the balance sheet assets and liabilities is not matched, since the Company reports interest-earning investments only and no borrowings. Accordingly, there is practically no exposure to the interest rate risk. No special instruments are used to hedge against the interest rate risk.

As the interest rate risk is assessed as low, the Company did not prepare an analysis of sensitivity to a reasonable possible change in interest rates which would demonstrate the impact on the Company's pre-tax profit.

Credit risk
Credit risk arising in connection with trade receivables and short-term investments is assessed as low. The Company reports a large number of trade receivables. The majority of trade receivables are due from group companies. The Company assessed credit risk as low since it has developed well-established procedures of managing receivables and formation of bad debt allowances. Provisions are made for doubtful and disputed receivables. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company's maximum exposure to receivables is equal to the carrying amount of these receivables.

With respect to credit risk arising to from the other financial assets, which comprise cash and deposits with banks, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk
Liquidity is subject to effective cash management and investment dynamics. The Company manages the liquidity risk by careful monitoring of the liquidity of assets and liabilities and cash flows from operations. The Company's liquidity is monitored by the Financial Sector of Telekom Slovenije, d.d., by means of balancing the liquidity structure of assets and liabilities.

Any unexpected cash deficits are bridged by the available borrowing facilities agreed between the local banks and the parent company.

A large portion of payments made by the customers is reasonable predictable and stable.

6.7. Maturity structure of trade and other liabilities

Maturity structure of trade and other liabilities as at 31.12.2009 and 31.12.2008 based on contractual, undiscounted payments:

In TEUR	Past due	On demand	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
31.12.2009							
Trade and other liabilities	200	666	8,013	3,154			**12,033**
31.12.2008							
Trade and other liabilities		354	7,763	2,835			**10,952**

6.8. Transactions with group companies

in TEUR	2009	2008
Receivables due from group companies	**14,659**	**16,213**
TELEKOM, d.d.	14,207	16,211
Mobitel, d.d.	422	2
Avtenta.si, d.o.o.	30	0
Payables to group companies	**4,074**	**7,178**
TELEKOM, d.d.	3,995	7,120
Mobitel, d.d.	32	20
Avtenta.si, d.o.o.	43	38
Najdi.si, d.o.o.	1	0
Soline, d.o.o.	3	0
Sales to the Group	**26,423**	**37,322**
TELEKOM, d.d.	25,929	37,322
Mobitel, d.d.	345	0
Avtenta.si, d.o.o.	149	0
Purchase of goods and services	**6,093**	**10,987**
TELEKOM, d.d.	5,878	10,786
Mobitel, d.d.	105	117
Avtenta.si, d.o.o.	99	65
Najdi.si, d.o.o.	6	9
Soline, d.o.o.	5	10

Receivables due from related parties as at 31 December 2009 include trade and other receivables, short-term deferred costs and expenses, short-term accrued revenue and short-term investments, whereas liabilities are inclusive of trade and other liabilities, and provisions.

7. INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owner of GVO d.o.o.

Report on the Financial Statements

We have audited the accompanying financial statements of GVO d.o.o., which comprise the balance sheet as at December 31, 2009, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of GVO d.o.o., as of December 31, 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, 24 February 2010

Janez Uranič
Director
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Lidija Šinkovec
Certified Auditor