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

FINANCIAL STATEMENTS 2012

Ljubljana, March 2013

Table of Contents

I. ACCOUNTING REPORT ... 3

1. FINANCIAL STATEMENTS ... 4
1.1. Income Statement as at 31 December 2012 ... 4
1.2. Statement of Financial Position as at 31 December 2012 ... 5
1.3. Statement of Changes in Equity as at 31 December 2012 ... 7
1.4. Statement of Cash Flows as at 31 December 2012 ... 62

2. NOTES TO THE ITEMS OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES ... 63
2.1. Company profile ... 63
2.2. Basis for preparation ... 64
2.3. Summary of significant accounting policies ... 65

3. NOTES TO THE FINANCIAL STATEMENTS ... 76
3.1. Revenue ... 76
3.2. Other operating income ... 77
3.3. Cost of material and power supply ... 77
3.4. Cost of services ... 77
3.5. Employee benefits expense ... 78
3.6. Other operating expenses ... 78
3.7. Decrease in capitalised own costs ... 78
3.8. Finance income and costs ... 78
3.9. Income tax expense ... 79
3.10. Intangible assets (IA) ... 79
3.11. Property, plant and equipment (PPE) ... 81
3.12. Investments ... 82
3.13. Deferred tax assets ... 83
3.14. Inventories ... 83
3.15. Trade and other receivables ... 83
3.16. Equity and reserves ... 84
3.17. Provisions ... 85
3.18. Trade and other payables ... 86
3.19. Interest-bearing borrowings ... 87
3.20. Accrued costs and expenses ... 87
3.21. Commitments and contingencies ... 87
3.22. Off balance sheet items ... 88

4. OTHER DISCLOSURES ... 89
4.1. Remuneration paid to the members of the Management Board and staff employed under individual contracts 89
4.2. Related party transactions ... 89
4.3. Maturity structure of liabilities ... 90
4.4. Auditor's fees ... 90
4.5. Report on related party transactions ... 90
4.6. Transactions with group companies ... 91
4.7. Risk management ... 91
4.8. Events after the reporting date ... 93

5. INDEPENDENT AUDITOR'S REPORT ... 94

I. Accounting Report

1. FINANCIAL STATEMENTS

1.1. Income Statement as at 31 December 2012

EUR thousand	Note	2012	2011
Revenue	3.1.	34,426	27,635
Other operating income	3.2.	149	81
Cost of materials sold	3.3.	422	266
Cost of materials and power supply	3.3.	9,251	5,261
Cost of services	3.4.	12,426	8,787
Employee benefits expense	3.5.	11,719	12,145
Amortisation and depreciation expense	3.10.,3.11.	1,466	1,372
Other operating expenses	3.6.	-63	310
Decrease in capitalised own costs	3.7.	-4,517	-2,820
Total operating expenses		**30,704**	**25,321**
Profit from operations		**3,871**	**2,395**
Finance income	3.8.	20	41
Finance costs	3.8.	97	49
Profit before tax		**3,794**	**2,387**
Income tax expense	3.9.	751	426
Net profit for the period		**3,043**	**1,961**

Statement of Other Comprehensive Income as at 31 December 2012

EUR thousand	2012	2011
Net profit for the period	**3,043**	**1,961**
Other comprehensive income for the period	**0**	**0**
Total comprehensive income for the period	**3,043**	**1,961**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

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1.2. Statement of Financial Position as at 31 December 2012

EUR thousand	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Intangible assets	3.10.	20,886	12,272
Property, plant and equipment	3.11.	2,812	3,041
Other investments	3.12.	133	158
Deferred tax assets	3.13.	504	618
Total non-current assets		**24,335**	**16,089**
Inventories	3.14.	868	1,288
Trade and other receivables	3.15.	13,833	14,073
Income tax credits		0	1,181
Current investments	3.12.	29	34
Cash and cash equivalents		5	15
Total current assets and deferred costs and accrued income		**14,735**	**16,591**
Total assets		**39,070**	**32,680**

EUR thousand	Note	31 Dec 2012	31 Dec 2011
EQUITY AND LIABILITIES			
Called-up capital	3.16.	5,758	5,758
Reserves	3.16.	576	576
Retained earnings	3.16.	8,902	5,859
Revaluation reserves for property, plant and equipment	3.16.	1	1
Total equity and reserves		**15,237**	**12,194**
Provisions	3.17.	4,233	3,678
Total non-current liabilities		**4,233**	**3,678**
Trade and other payables	3.18.	12,940	11,410
Income tax payable		221	0
Interest-bearing borrowings	3.19.	5,143	3,236
Accrued costs and expenses	3.20.	1,296	2,162
Total current liabilities		**19,600**	**16,808**
Total liabilities and accrued costs and deferred income		**23,833**	**20,486**
Total equity and liabilities		**39,070**	**32,680**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

1.3. Statement of Changes in Equity as at 31 December 2012

EUR thousand	Called-up capital	Own shares	Reserves	Retained earnings	Revaluation reserves for property, plant and equipment
Balance at 1 Jan 2012	**5,758**	**0**	**576**	**5,859**	**1**
Net profit for the period				3,043	
Other comprehensive income for the period					
Comprehensive income for the period	**0**	**0**	**0**	**3,043**	**0**
Transfer to retained earnings and reserves					
Balance at 31 Dec 2012	**5,758**	**0**	**576**	**8,902**	**1**

Further details under Note 3.16.

Statement of Changes in Equity as at 31 December 2011

EUR thousand	Called-up capital	Own shares	Reserves	Retained earnings	Revaluation reserves for property, plant and equipment
Balance at 1 Jan 2011	**5,758**	**0**	**576**	**8,898**	**1**
Net profit for the period				1,961	
Other comprehensive income for the period					
Comprehensive income for the period	**0**	**0**	**0**	**1,961**	**0**
Transfer to retained earnings and reserves					
Dividends paid				-5,000	
Balance at 31 Dec 2011	**5,758**	**0**	**576**	**5,859**	**1**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

1.4. Statement of Cash Flows as at 31 December 2012

EUR thousand	Note	2012	2011
A. Cash flows from operating activities			
a) Profit before tax		**3,794**	**2,387**
b) Adjustments for:			
Depreciation and amortisation expense	3.10.,3.11.	1,466	1,372
Impairment and write-offs of intangible assets, and property, plant and equipment		1	2
Movement in allowances for receivables		12	209
Profit or loss on disposal of property, plant and equipment		-5	-5
Finance costs	3.8.	97	49
Finance income	3.8.	-20	-41
Change in trade and other receivables	3.15.	227	-3,855
Change in other non-current assets		0	2
Change n inventories	3.14.	420	-583
Change in provisions	3.17.	556	-308
Change in non-current and current deferred income		0	-297
Change in accrued costs and expenses	3.20.	-866	824
Change in trade and other payables	3.18.	2,956	2,981
Income tax paid		-667	-2,847
c) Net cash from operating activities		**7,971**	**-110**
B. Cash flows from investing activities			
a) Receipts from investing activities		**50**	**5,578**
Proceeds from sale of property, plant and equipment		0	15
Interest received		20	41
Disposal of non-current investments		25	22
Disposal of current investments		5	5,500
b) Disbursements from investing activities		**-9,852**	**-5,397**
Acquisition of property, plant and equipment		-811	-775
Acquisition of intangible assets		-9,041	-4,122
Investments in form of loans given		0	-500
c) Net cash used in investing activities		**-9,802**	**181**
C. Cash flows from financing			
a) Cash receipts from financing activities		**1,907**	**3,227**
Current borrowings		1,907	3,227
b) Cash payments from financing activities		**-86**	**-5,035**
Interest paid		-86	-35
Dividends paid		0	-5,000
c) Cash flow used in financing activities		**1,821**	**-1,808**
Net increase/decrease in cash and cash equivalents		**-9**	**-1,738**
D. Closing balance of cash		**5**	**15**
Opening balance of cash		**15**	**1,753**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

2. NOTES TO THE ITEMS OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Company profile

a. General information

Company name: GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d.o.o. (hereinafter referred to also as 'Company')
Registered seat: Cigaletova 10, 1000 Ljubljana, Slovenia

b. Establishment, registration and ownership

The Company was established in 2000 and began with operations in 2004.

At 31 December 2012, the share capital of the Company was recorded at EUR 5,758 thousand.

c. Objects of the Company

Core activity of the Company:

- Building and maintenance works on telecommunication networks.

d. Consolidated financial statements

Telekom Slovenije, d.d. is the sole shareholder (100%) of the company GVO, d.o.o. the Annual Report of the Telekom Slovenije Group can be obtained at the registered seat of Telekom Slovenije, d.d., at Cigaletova 15 in Ljubljana.

e. Data on staff

As at the reporting date, the Company employed 394 staff.

No. of employees in the reporting period and in view of the required education:	1 January	Share in %	31 December	Share in %	Yearly turnover of staff	Average no. of staff in view of working hours and education
Level IV	206	53.1	215	54.6	9	209,3
Level V	124	32.0	116	29.4	-8	115,5
Level VI	39	10.1	39	9.9	0	39,1
Level VII	19	4.9	24	6.1	5	22,8
Master's and Doctor's degree	0	0.0	0	0.0	0	0,0
Total	**388**	**100**	**394**	**100.0**	**6**	**386,72**

The average number of staff in view of working hours and education lied in 2012 at 386,72.

f. Bodies of the Company

Bodies of the Company include:

- Supervisory Board - the Management Board of Telekom Slovenije, d.d. performs the tasks of the supervisory body;
- Management Board – the tasks are implemented by the Company's Managing Director.

Managing Director: Edo Škufca

The Managing Director manages the Company's business independently and at his own responsibility. He is in charge of all matters that are not within the authority of the Supervisory Board. Transactions exceeding EUR 100 thousand are subject to a consensus of the Supervisory Board.

2.2. Basis for preparation

a. Statement of Compliance

The accompanying financial statements of the 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 European Union, and the Slovenian Companies Act (ZGD – 1).

The financial statements were approved for release on 26 March 2013.

By taking into account the endorsement process of the EU and in view of the accounting policies applied by the Company, no differences exist between the International Financial Reporting Standards (IFRS) and the IFRS adopted by the EU.

b. Basis for the preparation of the financial statements

The financial statements have been prepared based on the going concern assumption.

Financial statements have been prepared on the historical cost basis.

The accounting policies and methods used are consistent with those applied in the previous year, except for the adoption of new standards and interpretations as noted below and if relevant events or transactions already occurred in the reporting period.

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

The financial statements are prepared in euros, rounded to the nearest thousand, which may cause certain minor differences. Euro (EUR) is the functional and presentation currency of the Company.

c. Use of estimates and judgements

The preparation of the financial statements requires the management to make certain judgements, estimates and assumptions that impact the carrying values of Company's assets and liabilities and the disclosure of contingent items at the reporting date and the reported amounts of income and expenses for the period then ended.
Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgment, 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. The formulation of estimates and related assumptions and uncertainties are discussed in individual items of segment 3. Summary of significant accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management's judgments include but are not limited to:

- amortisation/depreciation rates and residual values of property, plant and equipment and intangible assets,
- allowances for doubtful receivables,
- provisions and contingent liabilities,
- impairment of inventories.

2.3. Summary of significant accounting policies

By taking into account the endorsement process of the EU and in view of the accounting policies applied by the Company, no differences exist between the International Financial Reporting Standards (IFRS) and the IFRS adopted by the EU.

a. New standards and interpretations not yet adopted

The Company has not adopted any standards or interpretations issued and not yet effective.

The following new standards and interpretations are not yet effective for the annual period ended 31 December 2012 and have not been applied in preparing these consolidated financial statements:

Amendments to **IFRS 7** – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. Effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Earlier application is permitted.
The amendments contain new disclosure requirements for financial assets and liabilities that are:

- offset in the statement of financial position; or
- subject to master netting arrangements or similar agreements

The Company does not expect the amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements
Effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.

This standard is to be applied retrospectively when there is a change in control conclusion.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The Company does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Company's control over its investees.

IFRS 11 Joint Arrangements
Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.
IFRS 11 Joint Arrangements supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement;
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. In the remainder of IAS 31, jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in their consolidated financial statements.
The Company does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities
Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted.

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.
The Company does not expect the new Standard will have a material impact on the financial statements.

IFRS 13 Fair Value Measurement
Effective prospectively for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRS. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.
The entity does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
Effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively. Earlier application is permitted.
The amendments:
- require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections; and
- change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.

The amendments are not relevant to the Company's financial statements, since the entity does not have other comprehensive income.

Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets
Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Earlier application is permitted.
The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.
The amendments are not relevant to the Company's financial statements, since it does not have any investment properties measured using the fair value model in IAS 40.

IAS 19 (2011) Employee Benefits
Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.

The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation.
The entity does not expect the amendments to have a significant impact on the financial statements, since it does not results in a change in the Company's accounting policy. The Company continues to recognise actuarial gains and losses in other comprehensive income.

IAS 28 (2011) Investments in Associates and Joint Ventures
Amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.
There are limited amendments made to IAS 28 (2008):

- Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Company does not expect the amendments to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted. However, the additional disclosures required by Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities must also be made.
The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.
The amendments clarify that an entity currently has a legally enforceable right to off set if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties

The Company does not expect the amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

b. Intangible assets

An item of intangible assets is recognised if it is probable that the future economic benefits that are associated with the item will flow to the entity and the cost of the item can be measured

reliably. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and less impairment losses.

The item of intangible assets comprises:

- Intangible assets in course of construction,
- licences for the use of software,
- software acquired separately from computer hardware and used for more than one year, and
- other intangible assets.

Amortisation rate and the residual value of intangible assets
Intangible assets are amortised on a straight-line basis over their estimated useful lives, from the date that they are available for use, and disclosed in the income statement.

Expenditure on computer software is capitalised at cost and amortised on a straight-line basis over its estimated useful lives of 3 years or over the duration of the contract.

Other items of intangible assets from the GOŠO project are amortised over a period of 20 years, whereas other intangible assets are amortised over the duration of the relevant contract.

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.

At year end, the Company checks for any indications of impairment of intangible assets. If so, the recoverable amount of such assets is determined.

c. Property, plant and equipment
Property, plant and equipment owned by the Company are stated at cost and increased by expenditures that are directly attributable to make the asset ready for its intended use. 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 profit or loss on a monthly basis as a reduction of costs.
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.

Operating lease
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.

Government grants related to assets are presented in the statement of financial position as deferred income in the amount of the grant. They are intended to compensate the costs of depreciation of these assets. The grant is recognised in the income on a straight-line basis over the life of the depreciable asset.

Depreciation rate and the residual value of property, plant and equipment
Useful lives of significant items of property, plant and equipment are reassessed on an annual basis and if expectations differ significantly from earlier estimates, depreciation amortisation rates are restated for the present and future periods. The effect is explained in the report of the period in which the change occurred.
The residual value is reassessed on an annual basis as well.

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.

The estimated useful lives of property, plant and equipment

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
Hardware	3
Other equipment	3 to 11
Containers	15
Energy facilities	5 to 11
Construction machinery	6.3 to 8

Land and assets under construction are not depreciated.

An item of property, plant and equipment under construction is recognised 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.

The Company assesses annually whether there are any internal or external business circumstances (significant technological changes, market changes, obsolescence or physical wear and tear of the asset) that could provide significant indication that an item of property, plant and equipment should be impaired.

An item of property, plant and equipment is subject to impairment if its carrying amount exceeds its recoverable amount. The recoverable amount equals the fair value or the value in use, whichever is higher. Value in use is assessed as the present value of expected future cash

flows, whereby the expected future cash flows are discounted to the present value by the use of the discount rate before taxes.

Impairment is recognised in the income statement, except when the value of the asset was increased prior to the impairment and the related impact recorded as a revaluation reserve for property, plant and equipment in the comprehensive income. In such cases, the revaluation reserve is to be decreased first.

Reversal of impairment of property, plant and equipment is recognised if the recoverable value of an asset increases and if this increase can be related objectively to an event occurring after the recognition of impairment. An impairment loss is reversed only to the extent of the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

d. Investments

Company's investments include loans given.

Loans extended are measures at amortised cost less impairment losses.
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.

e. Inventories

A quantity unit of inventories 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.

Inventories are accounted for under the moving average price method.

A quantity unit of small tools referring to inventories of material include small tools and equipment, service uniforms and footwear, protecting clothing and footwear, packaging and car tyres (everything is places in warehouses).
Consumption of inventories of material is valued at the average price method.
Low-value inventories 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 realisable value. Revaluation of inventories of materials and goods due to their impairment increases revaluation operating expenses.

f. Trade and other receivables

Trade receivables are recognised at cost less any impairment losses. In view of their maturity, receivables are classified in four classes, which reflect the probability of their collectability.
Allowances for trade receivables are formed based on the aging structure of each individual receivable or for each individual receivable by taking into account experiences made with the individual customer in previous years. The amount of allowance depends on the estimated collectability, namely:
- 50% for receivables overdue from 90 to 180 days,
- 70% for receivables overdue from 181 to 365 days,
- 100% for receivables overdue in excess of 365.

Receivables due from subsidiaries and those for which individual agreement has been concluded, are not included in receivables due from local customers for which allowances are made.
Allowances for receivables due from domestic customers which undergo insolvency procedures (compulsory composition, bankruptcy) are formed in their full amount (100% allowance).
In certain cases, allowances may be made of individual receivables. Receivables for which allowances are formed, are recorded as disputed receivables.

Write-off of individual receivables is carried out upon provision of adequate document that evidences the uncollectability of the outstanding amount or that relevant procedures for collection have started (court decisions, order on compulsory settlement, order on bankruptcy procedure and other similar documents).

g. 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.

h. Provisions

Provisions are recognised 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, provisions are determined by discounting the expected future cash flows.

The Company’s treatment of obligations with uncertain timing and amount depends on management’s estimation of the amount and timing of the obligation and the probability of an outflow of resources embodying economic benefits that will be required to settle the obligation, either legal or constructive.
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 treated as a contingent liability, provisions are recognised in the financial statements for the period in which the change in probability occurs.

Provisions for probable liabilities from legal actions are formed on the basis of the estimation of the actions' outcome. The formation of provisions is assessed individually in view of

the amount of the legal action, its subject matter, the plaintiff's assertions and the course of each individual procedure.

Provisions for retirement benefits and jubilee premiums
In accordance with the statutory requirements, the collective agreement, and the internal rules and regulations, the Company is obligated to pay jubilee premiums and retirement benefits.
Provisions are formed in the amount of estimated future payments of retirement benefits and jubilee premiums discounted at the reporting date. A calculation is made per individual employees taking into account the cost of retirement benefits and the cost of all expected jubilee premiums by the time of retirement based on actuarial calculations. At each year-end, the amount of provisions is assessed and either increased or decreased accordingly.

The Company has no other pension liabilities.

Provisions for warranties given in relation to services rendered are formed if they can be assessed reliably based on concluded services agreement. An estimate is provided by one of Company's professionals and endorsed by the Managing Director. At each year-end, the management assesses the eligibility of such provisions formed.
The Company forms long-term provisions for costs relating to warranties given in relation to services rendered (guarantees). The amount of these provisions is based on contractually defined percentage rates of the services' value.
The Company forms provisions for elimination of defects in the warranty period in the amount of 3% to 15% of the value of work performed for each contract concluded with related entities. The contracts include a liability to eliminate defects in the warranty period, which ranges from two to twenty years, as the management's estimate may be.

While forming provisions, the management takes into account risks relating to location complexity, the provider of construction works, risk of damage that may occur in coming years, the contractual period for the possible elimination of defects in the warranty period.

i. 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 amortised cost with any differences between cost and the redemption value being recognised in the income statement over the terms of the loans on an effective interest rate basis.

j. Trade and other payables
Trade and other payables are initially stated at cost. Subsequent to initial recognition, trade and other payables are stated at amortised cost.

k. Employee benefits expense
Employee benefits expense are measured without discounting and recorded among expenses when employee's work, resulting in certain employee benefits, is completed.

l. Short-term accrued and deferred items
Accrued costs comprise costs of annual leave not taken, accrued payroll costs, awards and costs of services provided by subcontractors for which invoices have not yet been issued.

m. Revenue

Revenue includes the sales value of goods sold and services rendered in the accounting period. Revenue from sale of products are recognised at fair value of payment or relating receivable received, less repayment or rebates given in view of further sales and quantity discounts. Revenue is disclosed when the customer assumes all risks and rewards relating to the ownership of the asset, and when certainty exists as to the collectability of the receivable and related costs.
Transfer of risks and rewards depends upon individual provisions of the purchase contract.

Revenue primarily comprises income from construction projects and preventive overhaul and maintenance, as well as revenue from elimination of defects, revenue earned from the GOŠO projects, revenue from the OŠO project (user fee, admission fee, supervision), other revenue and revenue from the sale of materials.

Revenue from construction projects, major maintenance and repair, preventive maintenance, elimination of defects, the GOŠO construction project, the OŠO project and other revenue is recognised when the service is completed.

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

n. Finance income and expenses

Interest income and expenses are recognised in the profit or loss as the interest accrues (using the effective interest rate method i.e. interest rate, where all future cash inflows are discounted in the period of the financial instrument's use) to the net carrying amount of the financial assets.

o. Income tax expenses

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 date of the statement of financial position, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated using the statement of financial position 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 at the reporting 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.
The Company accounts for deferred taxes based on differences between the carrying amount and the fair value of subsidiaries' assets.

p. Statement of cash flows

The statement of cash flows is compiled using the indirect method based on data from the statement of financial position as at 31 December 2012 and 31 December 2011, the income statement items for the financial year 2012, and additional information necessary to make adjustments of cash inflows and outflows. Significant values not relating to cash receipts and cash payments are not included in the statement of cash flows.

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. Revenue

EUR thousand	2012	2011
Revenue from sale of services – related entities	**18,436**	**18,717**
Revenue from construction projects	10,067	10,442
Revenue from construction projects – foreign market	17	0
Revenue from maintenance of investments	5	105
Revenue from preventive services, elimination of defects, other services	8,109	8,094
Revenue - OŠO concession, other OŠO services	238	76
Revenue from sale of services – domestic and foreign market	**15,618**	**8,220**
Revenue from construction projects – foreign market	535	0
Other revenue from sales on the domestic market	2,991	1,444
Revenue from construction projects - GOŠO on the domestic market	11,859	6,703
Revenue – OŠO concession, other OŠO services rendered on the domestic market	233	73
Revenue – provisions for elimination of defects in the warranty period	**-762**	**165**
Revenue from sales of material – domestic market	**1,134**	**533**
Revenue from sale of material – foreign market	**0**	**0**
Total revenue	**34,426**	**27,635**

EUR thousand	2012	2011
Revenue – OŠO concession, other OŠO services rendered to related entities	**238**	**76**
OŠO user fee	221	59
other OŠO services	17	17
Revenue – OŠO concession, other OŠO services rendered on the domestic market	**232**	**73**
OŠO user fee	215	53
other OŠO services	18	20
Total revenue – OŠO concession, other OŠO services	**470**	**149**

3.2. Other operating income

EUR thousand	2012	2011
Revenue from subsidies received	95	24
Gain on sale of property, plant and equipment	5	5
Other income	49	52
Total other operating income	**149**	**81**

3.3. Cost of material and power supply

EUR thousand	2012	2011
Cost of materials sold	422	266
Cost of material	8,486	4,646
Cost of power supply	764	615
Total cost of material sold and cost of material and power supply	**9,672**	**5,527**

3.4. Cost of services

EUR thousand	2012	2011
Communication and transport services	201	205
Lease of property, plant and equipment	355	337
Maintenance of property, plant and equipment	534	487
Refund of labour-related costs	260	66
Professional and personal services	1,454	1,424
Insurance premiums	99	74
Fairs, advertising	26	12
Costs of entertainment	30	33
Banking services	31	30
Cost of other services	9,436	6,119
Total cost of services	**12,426**	**8,788**

Cost of other services include costs of sub-contractors in the amount of EUR 9,089 thousand (2011: EUR 5,898 thousand), costs of students in the amount of EUR 180 thousand (2011: EUR 100 thousand), and costs of other services in the total amount of EUR 167 thousand EUR (2011: EUR 121 thousand).

3.5. Employee benefits expense

EUR thousand	2012	2011
Payroll costs	8,193	8,159
Social security contributions	1,771	1,787
- of which pension and disability insurance	1,235	1,091
Other employee benefits expense	1,755	2,199
Total employee benefits expense	**11,719**	**12,145**

Other employee benefits include commuting allowances, meals allowance, vacation bonus, severance pays or retirement benefits and costs of remuneration, incentives and other payments made to the employees.

3.6. Other operating expenses

EUR thousand	2012	2011
Provisions	-143	-48
Write-off and disposal of property, plant and equipment	1	2
Impairment and write-off of inventories	11	7
Allowances for receivables	12	286
Other expenses	56	63
Capitalised own costs of production overheads	-4,517	-2,820
Total other operating expenses	**-4,580**	**-2,510**

3.7. Decrease in capitalised own costs

EUR thousand	2012	2011
Decrease in capitalised own costs - GOŠO project	-4,276	-2,820
Decrease in capitalised own costs - other projects	-241	0
Total decrease in capitalised own costs	**-4,517**	**-2,820**

3.8. Finance income and costs

EUR thousand	2012	2011
Interest income	20	41
Exchange gains	0	0
Total finance income	**20**	**41**
Interest expenses	97	49
Exchange losses	0	0
Total finance costs	**97**	**49**
Financial result	**-77**	**-7**

3.9. Income tax expense

EUR thousand	2012	2011
Current tax expense	-636	-415
Deferred tax income/expense	-115	-11
Income tax expense charged against profit or loss	**-751**	**-426**

EUR thousand	2012	2011
Profit/loss before tax under IFRS	3,794	2,387
Income tax by applying the valid tax rate	-683	-477
Tax incentives used in the current period	172	134
Change in the tax rate	-155	0
Non-deductible expenses	-85	-83
Total income tax expense	**-751**	**-426**

The tax rate changed in 2012 from 20% to 18% in compliance with the amended Slovene corporate income tax legislation. In addition, the amount of tax incentives relating to research and development activities increased from 40% to 100% but not exceeding the amount of the tax basis. Tax incentives relating to investments increased from 30% to 40% of the amount invested in a legally defined type of equipment and intangible assets without the upper limit of tax utilisation. The general tax relief for investments shall be mutually exclusive with the relief for research and development.

As a result of the changed tax rate, the Company recognised lower deferred tax assets and charged them against profit or loss in the amount of EUR155 thousand.

Change in deferred taxes recognised in the income statement

EUR thousand	2012	2011
Property, plant and equipment	-3	1
Provisions	-74	-54
Receivables and inventories	-38	42
Change in deferred tax assets / liabilities	**-115**	**-11**

3.10. Intangible assets (IA)

At 31 December 2012, the item of concessions, patents, licences, trademarks and similar rights (long-term industrial rights) includes software and licences.
Intangible assets under construction include investments in the private network as part of the public and private partnership (GOŠO Dolenjska, Slovenske Konjice, Sevnica and Podravje).Other intangible assets represent investments in the private network as part of the public and private partnership (GOŠO Koroška and GOŠO Ormož projects).

The private part of the network from the GOŠO is constructed based on own assets under the Build-Operate-Transfer model (BOT model). This model involves a contractual public-private partnership, in which a private partner constructs the infrastructure and manages and provides maintenance works on it for a certain contractually defined period (20 years). During this period, the private partner is entitled to charge for the use of constructed infrastructure. Upon the expiry of the contract, the private partner transfers the infrastructure to the public partner.

In the course of its business operations, the Company also uses software applications that have been written-off but are continually used.

While conducting its business operations, the Company also uses software that has been written-off but is continually used.

Intangible assets are not pledged as collateral and are free of encumbrances.

Movement in intangible assets as at 31 December 2012

EUR thousand	Concessions and licences	Software	Other IA	IA in course of construction	Total
COST					
Balance at 1 Jan 2012	**83**	**55**	**8,373**	**4,123**	**12,634**
Additions				9,041	9,041
Transfer for use		4	3	-7	0
Balance at 31 Dec 2012	**83**	**59**	**8,376**	**13,157**	**21,675**
ACCUMULATED AMORTISATION					
Balance at 1 Jan 2012	**76**	**55**	**231**	**0**	**362**
Amortisation	7	1	419		427
Balance at 31 Dec 2012	**83**	**56**	**650**	**0**	**789**
CARRYING AMOUNT					
Balance at 1 Jan 2012	**7**	**0**	**8,142**	**4,123**	**12,272**
Balance at 31 Dec 2012	**0**	**3**	**7,726**	**13,157**	**20,886**

Movement in intangible assets as at 31 December 2011

EUR thousand	Concessions and licences	Software	Other IA	IA in course of construction	Total
COST					
Balance at 1 Jan 2011	**83**	**55**	**0**	**8,372**	**8,510**
Additions				4,124	**4,124**
Transfer for use			8,373	-8,373	**0**
Balance at 31 Dec 2011	**83**	**55**	**8,373**	**4,123**	**12,634**
ACCUMULATED AMORTISATION					
Balance at 1 Jan 2011	**59**	**55**	**0**	**0**	**114**
Amortisation	17		231		**248**
Balance at 31 Dec 2011	**76**	**55**	**231**	**0**	**362**
CARRYING AMOUNT					
Balance at 1 Jan 2011					
Balance at 31 Dec 2011	**24**	**0**	**0**	**8,372**	**8,396**
Balance at 1 Jan 2011	**7**	**0**	**8,142**	**4,123**	**12,272**

3.11. Property, plant and equipment (PPE)

The items of property, plant and equipment comprise motor vehicles, computer hardware, containers for the GOŠO project, other equipment and property, plant and equipment in the process of being acquired.
Property, plant and equipment are not pledged as collateral and are free of encumbrances.

While conducting its business operations, the Company also uses property, plant and equipment that have been written-off but are continually used; these include primarily standard and specialised tools and measuring instruments.

Movement in property, plant and equipment as at 31 December 2012

EUR thousand	Buildings and land	Other equipment	PPE under construction	Total
COST				
Balance at 1 Jan 2012	**23**	**10,224**	**0**	**10,247**
Additions	0	0	811	811
Transfer from assets under construction	0	811	-811	0
Disposals, write-offs		-122	0	-122
Balance at 31 Dec 2012	**23**	**10,913**	**0**	**10,936**
ACCUMULATED DEPRECIATION				
Balance at 1 Jan 2012	**2**	**7,204**	**0**	**7,206**
Disposals, write-offs		-121	0	-121

Depreciation	1	1,038	0	1,039
Balance at 31 Dec 2012	**3**	**8,121**	**0**	**8,124**
CARRYING AMOUNT				
Balance at 1 Jan 2012	**21**	**3,020**	**0**	**3,041**
Balance at 31 Dec 2012	**20**	**2,792**	**0**	**2,812**

Movement in property, plant and equipment as at 31 December 2011

EUR thousand	Buildings and land	Other equipment	PPE under construction	Total
COST				
Balance at 1 Jan 2011	**23**	**9,597**	**0**	**9,620**
Additions	0	0	775	775
Transfer from assets under construction	0	775	-775	0
Disposals, write-offs	0	-148	0	-148
Balance at 31 Dec 2011	**23**	**10,224**	**0**	**10,247**
ACCUMULATED DEPRECIATION				
Balance at 1 Jan 2011	**1**	**6,227**	**0**	**6,228**
Disposals, write-offs	0	-146	0	-146
Depreciation	1	1,123	0	1,124
Balance at 31 Dec 2011	**2**	**7,204**	**0**	**7,206**
Balance at 1 Jan 2011				
Balance at 31 Dec 2011	**22**	**3,370**	**0**	**3,392**
Balance at 1 Jan 2011	**21**	**3,020**	**0**	**3,041**

3.12. Investments

The item of investments includes long-term housing loans granted to employees. A portion of loans, which matures within one year, is transferred among current investments. The loans bear interest ranging between 3.75% and 6.228%.

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 attributable interest.

EUR thousand	2012	2011
Other short-term loans and deposits	29	34
Total current investments	**29**	**34**
Loans to employees	133	158
Total other investments	**133**	**158**

Loans and held-to-maturity financial assets

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.

3.13. Deferred tax assets

Deferred tax assets and liabilities are calculated using the 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, using tax rates enacted in future years. In 2012, the applicable income tax rate was 18% (2011: 20 %). The Slovenian Corporate Income Tax Act (Official Journal of the Republic of Slovenia, no. 30/2012) envisages the gradual lowering of the tax rate to 15% until 2015. While calculating deferred tax assets and liabilities for 2012, the Company accordingly used a tax rate of 15%.

EUR thousand	2012	2011
Property, plant and equipment	1	5
Trade receivables	122	160
Provisions	381	453
Deferred tax assets	**504**	**618**

The recalculation of the tax rate results in a decrease in deferred tax assets charged against the operating profit or loss in the amount of EUR 155 thousand.

3.14. Inventories

EUR thousand	2012	2011
Material	868	1,288
Total inventories	**868**	**1,288**

Inventories include primarily material used for the telecommunications activity. In 2012, the write-off costs for obsolete inventories amounted to EUR 11 thousand. During stock-taking, inventory deficits were established in the amount of EUR 2 thousand.
Inventories are not pledged as collateral.

3.15. Trade and other receivables

	2012			2011
EUR thousand	Gross value	Allowances	Net value	Net value
Trade receivables	12,192	-814	11,378	13,067

Advances	329	0	329	2
Total receivables	**12,521**	**-814**	**11,707**	**13,069**
VAT and other tax receivables	754	0	754	717
Deferred costs and accrued income	1,286	0	1,286	248
Other receivables	86	0	86	39
Total other receivables	**2,126**	**0**	**2,126**	**1,004**
Total trade receivables and deferred costs and accrued income	**14,647**	**-814**	**13,833**	**14,073**

Movements of allowances for receivables

EUR thousand	2012	2011
Balance at 1 Jan	**-802**	**-593**
Allowances formed	-166	-339
Reversal of allowances	154	56
Utilisation (write-off)	0	74
Balance at 31 Dec	**-814**	**-802**

As at 31 December 2012, the maturity structure of receivables that were past due but not impaired was as follows

EUR thousand	2012		2011	
	Gross value	Allowances	Gross value	Allowance
Undue	**11,876**	**0**	**11,662**	**0**
Past due	**2,771**	**-814**	**3,213**	**-802**
up to 30 days	818	0	715	0
31 to 60 days	76	0	741	0
61 to 90 days	96	0	55	0
91 to 120 days	60	-16	244	-2
More than 121 days	1,721	-798	1,458	-800
Total receivables	**14,647**	**-814**	**14,875**	**-802**

3.16. Equity and reserves

EUR thousand	2012	2011
Called-up capital	5,758	5,758
Reserves	576	576
Retained earnings	8,902	5,859
Revaluation reserves for property, plant and equipment	1	1

Total equity and reserves	**15,237**	**12,194**

Reserves

EUR thousand	**2012**	**2011**
Capital surplus	1	1
Legal reserves	575	575
Total reserves	**576**	**576**

Accumulated profit of 2012

EUR thousand

	2012	**2011**
Net profit for the period	3,043	1,961
+ retained earnings	5,859	8,898
- dividend payout	0	-5,000
Accumulated profit allocated by the Shareholders' meeting	**8,902**	**5,859**

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

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

In 2012, the Company did not form any legal reserves as their total amount has already reached 10% of the share capital.

3.17. Provisions

EUR thousand	**31 Dec 2011**	**Utilisation and reversal**	**Formation**	**31 Dec 2012**
Provisions for probable payments resulting from legal actions	197	-150	0	47
Provisions for retirement benefits and jubilee premiums	923	-35	10	898
Provisions for warranties	2,373	-766	1,528	3,135
Contributions for utilising the disabled persons quota	185	-95	63	153
Total provisions	**3,678**	**-1,046**	**1,601**	**4,233**

The Company forms long-term provisions for liabilities, which must be settled as a result of past events in a period longer than a year, and a reliable estimate can be made of the amount of the liability.

Provisions for warranties given in relation to services rendered are formed if they can be assessed reliably based on concluded services agreement. An estimate is provided by one of Company's professionals and endorsed by the Managing Director. At each year-end, the management assesses the eligibility of such provisions formed.

In 2012, the Company formed provisions for elimination of defects in the warranty period in the amount of 3% of the value of work performed for each contract concluded with related entities. The contracts include a liability to eliminate defects in the warranty period, which is generally set at two years.

As for the domestic market, the Company is liable to eliminate defects in a warranty period ranging between two and five years. In addition, the percentage rate of related provisions formed is higher and ranges from 3% to 15% percent of the value of work performed for each contract concluded. The amount of the rate and the warranty period for the formation of allowances relating to the domestic market is assessed by the management as relatively risky.

In connection with the GOŠO projects, the Company formed provisions for elimination of defects in the warranty period in the amount of 7% of the value of work performed within the projects GOŠO Sevnica, Slovenske Konjice and Mokronog – Trebelno, and in the amount of 5% for the Ormož project (level II) and Koroška extension, for the period of 20 years i.e. duration of the concession agreement.

Provisions for retirement benefits and jubilee premiums
Provisions for retirement benefits and jubilee premiums are based actuarial calculations of data as at 31 December 2012.
No other pension-related liabilities are recorded.
In 2012, provisions were formed based on calculations prepared by a certified actuary. The calculations applied the discount rate of 4.70%, whereas the rate of fluctuation takes account of the age interval ranging from 0% to 3% (2011: discount rate of 4.80%, rate of fluctuation ranging from 0% to 3%.

Provisions for probable payments resulting from legal actions

As at 31 December 2012, three legal actions were filed against the Company in the total amount of EUR 59 thousand (2011: EUR 2,085 thousand). As at 31 December 2012, Company's provisions for probable payments resulting from legal actions were recorded in the total amount of EUR 47 thousand.

3.18. Trade and other payables

EUR thousand	2012	2011
Trade payables	11,153	9,196
VAT and other tax payables	124	105
Payables to employees	911	689
Payables for advances	39	27
Other payables	713	1,393
Total trade and other liabilities	**12,940**	**11,410**

Other payables include primarily payables relating to assignments, advances received and other trade payables resulting from decrees and decisions.

3.19. Interest-bearing borrowings

EUR thousand	2012	2011
Long-term borrowings	**0**	**0**
Total long-term portion	**0**	**0**
Short-term borrowings	**5,143**	**3,236**
Borrowings to group companies	5,143	3,236
Total short-term portion	**5,143**	**3,236**

Contractual terms agreed on borrowings

EUR thousand	Long-term portion	Short-term portion	Maturity exceeding 5 years	Interest rate agreed	Last payment due	Collateral
Financial liabilities to group companies	0	5,134	0	2.224%	2 Jul 2013	

Short-term financial liabilities include liabilities to group companies in the amount of EUR 5,143 thousand (i.e. revolving loan extended by Telekom Slovenije, d.d.).

3.20. Accrued costs and expenses

EUR thousand	31 Dec 2012	31 Dec 2011
Provisions for annual leave not taken	686	640
Accrued payroll costs	74	592
Termination benefits for redundant workers	0	727
Accrued incentives	50	63
Other accrued costs and expenses	486	140
Accrued costs and expenses	**1,296**	**2,162**

Other accrued costs and expenses comprise costs of sub-contractors and costs of material, which occurred in 2012 but related invoices were not received as at 31 December 2012.

3.21. Commitments and contingencies

Liabilities under the operating lease

In 2012, the Company rerecorded liabilities for the lease of property, plant and equipment.

The Company's income statement for 2012 includes costs for the operating lease in the amount of EUR 335 thousand (2011: EUR 337 thousand). The operating lease costs refer to the rentals for offices, cars and other items of property, plant and equipment.

EUR thousand	2012	2011
1 year	335	337
1 to 2 years	670	674
3 to 5 years	670	674
more than 5 years	1,675	1,685
Total	**3,350**	**3,370**

3.22. Off balance sheet items

Off balance sheet items in the total amount of EUR 2,065 thousand (2011: EUR 6,302 thousand) comprise collaterals provided in form of bank guarantees and bills of exchange granted for tenders, elimination of defects during the warranty period, performance bonds, collateralisation of contractual liabilities for getting work through public tenders and meeting obligations under deals concluded.

4. OTHER DISCLOSURES

4.1. Remuneration paid to the members of the Management Board and staff employed under individual contracts

Total remuneration paid in 2012

EUR	2012	2011
Managing Director	127,601	132,051
Managers and staff employed under individual contracts that are not subject to the tariff part of the collective agreement	379,769	308,214
Total	**507,370**	**440,265**

The item of total remuneration comprises payroll costs and salary compensations, other employee benefits expense (annual leave, other personal receipts, net reimbursements, benefits including the use of company cars for private purposes, work-related reimbursements, and voluntary supplementary pension insurance premiums).

4.2. Related party transactions

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

EUR	Total amount of receipts	Loans	
		Outstanding portion in 2012	Repayments in 2012
Managing Director	127,601	0	0
Managers and staff employed under individual contracts that are not subject to the tariff part of the collective agreement	379,769	38,916	5,331
Total	**507,370**	**38,916**	**5,331**

4.3. Maturity structure of liabilities

As at 31 December 2012 and 31 December 2011, the maturity of liabilities under contracts is presented below.

EUR thousand	Overdue	On demand	3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
31 Dec 2012							
Borrowings and loans	0	0	0	5,143	0	0	5,143
Anticipated loan interest	0	0	9	0	0	0	9
Trade payables and other operating liabilities	261	1,435	8,504	2,740	0	0	12,940
31 Dec 2011							
Borrowings and loans	0	0	0	3,236	0	0	3,236
Trade payables and other operating liabilities	35	1,025	7,703	2,647	0	0	11,410

4.4. Auditor's fees

EUR thousand	2012	2011
Audit of the annual report	7	12
Other services and provision of assurance	3	3
Total	**10**	**15**

4.5. Report on related party transactions

Pursuant to provisions of Article 545 of the Companies Act (ZGD-1) concerning related party disclosures, GVO, d.o.o. as a subsidiary of the parent company Telekom Slovenije hereby confirms that it did not suffer any loss or detriment in any transactions concluded in 2012 with the controlling entity or other related parties and was not compelled to enter into any transaction with the parent or any other related party that would cause GVO, d.o.o. to suffer commercial loss. Furthermore, the Company did not relinquish any participation in transactions at the initiative of the controlling or related parties which would result in the Company being deprived due to any omission of transactions. Accordingly, the Company received no compensation or payments in respect of such prejudice.

4.6. Transactions with group companies

EUR thousand	2012	2011
Receivables due from group companies	**7,830**	**8,642**
Telekom Slovenije, d.d.	7,830	8,642
Liabilities to group companies	**8,789**	**6,985**
Telekom Slovenije, d.d.	8,758	6,947
AVTENTA d.o.o.	18	26
TSmedia Group	1	0
SOLINE d.o.o.	12	12
Revenue from sales to group companies	**18,637**	**19,315**
Telekom Slovenije, d.d.	18,602	19,315
AVTENTA d.o.o.	4	0
TSmedia Group	14	0
IPKO Group	17	0
Purchase of material and services from group companies	**6,038**	**5,364**
Telekom Slovenije, d.d.	5,902	5,208
AVTENTA d.o.o.	130	140
TSmedia Group	1	10
SOLINE d.o.o.	5	6

Receivables due from group companies as at 31 December 2012 include trade receivables and short-term deferred costs, whereas liabilities to group companies are inclusive of trade and other liabilities, as well as provisions and short-term borrowings received.

4.7. Risk management

The Company's principal financial instruments, other than derivatives, comprise cash and cash equivalents, trade and other receivables, trade and other payables, investments and borrowings. The main purpose of borrowings is to raise finance for the Company's operations.

It is and has been the Company's policy that no trading in derivatives shall be undertaken. The main risks arising from the Company's financial instruments include the interest rate risk, the liquidity risk, the foreign currency risk and the credit risk. The Management Board reviews and adopts policies for managing each of these risks which are summarised below on an ongoing basis.

Foreign currency risk
The Company provides its services primarily in Slovenia. The currency risk in ordinary activities arises in connection with foreign suppliers of services, merchandise, as well as property and plant and equipment. In foreign trade transactions, the Company uses euro, which is also its functional currency. Therefore, the exposure to foreign currency risk is minimal. Since the currency risk is assessed as minimal, the Company does not use any special instruments to hedge its exposure to such risks.

Interest rate risk
Interest-rate risk derives from changes in interest rates that have a negative impact on operations of individual companies. The exposure to interest rate risk is assessed as minimal, thus the Company does not use any special instruments to hedge its exposure to such risks.

The Company has not performed a sensitivity analysis of the interest rate's fluctuations and the relevant impact on the pre-tax profit, as the risk is defined as minimal.

Credit risk
The Company has a large number of customers, both individuals and entities. Since receivables are widely spread, the Company assesses the credit risk as low. The Company assesses the credit risk as manageable due to well-developed procedures of managing receivables and formation of relating allowances. The credit risk is low as the overdue receivables are checked on an ongoing basis. The Company's maximum exposure to receivables is equal to their carrying amount.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, deposits with banks, and short-term revolving borrowings from the parent, the Company's exposure to credit risk arises from default of the counterparty. The maximum exposure is equal to the carrying amount of these instruments.

Liquidity risk
Liquidity is subject to effective cash management and investment dynamics. GVO d.o.o. manages the liquidity risk by careful monitoring of the liquidity of assets and liabilities as well as daily monitoring of cash flows from operations. Short-term surpluses are placed in bank deposits, whereas short-term deficits are bridged by short-term revolving loans from the parent company Telekom Slovenije.

The Company's liquidity is regulated by the Finance Sector of the parent Telekom Slovenije through balancing the liquidity structure of assets and liabilities.

The Company maintains a balance between continuity of funding and flexibility through the use of short term bank borrowings raised by the parent company. Also, a large portion of payments made by the customers is reasonably predictable and stable.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains strong credit rating and capital ratios in order to support its business and maximise shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total net debt plus total equity. Within net debt, the Company includes interest bearing borrowings and other financial liabilities less short-term investments, cash and cash equivalents, and short-term deposits.

Fair value
The Company estimates that fair values of financial assets and liabilities do not significantly differ from their carrying amounts.

4.8. Events after the reporting date

No events or transactions have occurred after the reporting date, which would require adjustments to be made in the accompanying financial statements.
On 18 January 2013, the Company has established a subsidiary with its registered seat in Stadtlohn, Germany. GVO GmbH records a share capital of EUR 25 thousand.

5. INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To The Shareholder of GVO, gradnja in vzdrževanje telekomunikacijskih omrežij, d.o.o.

Report on the Financial Statements

We have audited the accompanying financial statements of the company GVO d.o.o., which comprise the statement of balance sheet as at 31 December 2012, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 at 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Jerneja Potočnik,
Certified Auditor

Katarina Sitar Šuštar,
Partner

Ljubljana, 26 March 2013

KPMG Slovenija, d.o.o.
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The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene and is not to be signed. This translation is provided for reference purposes only.