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

FINANCIAL STATEMENTS 2013

Ljubljana, March 2013

Contents

I. Accounting Report

1. FINANCIAL STATEMENTS

1.1. Income Statement as at 31 December2013

EUR thousand	Note	2013	2012 adjusted
Revenue	3.1.	30,910	35,188
Other operating income	3.2.	635	915
Cost of materials sold	3.3.	19	422
Cost of materials and power supply	3.3.	6,508	9,251
Cost of services	3.4.	10,066	12,426
Employee benefits expense	3.5.	11,910	9,594
Amortisation and depreciation expense	3.9.,3.10.	1,438	1,466
Other operating expenses	3.6.	675	-927
Total operating expenses		**30,616**	**32,232**
Operating profit		**929**	**3,871**
Finance income	3.7.	11	20
Finance costs	3.7.	177	97
Profit before tax		**763**	**3,794**
Income tax expense	3.8.	53	636
Deferred tax	3.8	-68	115
Profit for the period		**778**	**3,043**

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

Note on differences between the adjusted and reported balance:
Summary of reclassified capitalised own costs and creation and reversal of provisions for repairs in the warranty period.

Changes on reclassification are summarised below:

EUR thousand	2012 adjusted	2012 reported	Difference
Revenue	**35,188**	**34,426**	**762**
Other operating income	**915**	**149**	**766**
			0
Cost of materials sold	422	422	0
Cost of materials and power supply	9,251	9,251	0
Cost of services	12,426	12,426	0
Employee benefits expense	9,594	11,719	-2,125
Amortisation and depreciation expense	1,466	1,466	0
Other operating expenses	-927	-4,580	3,653
- effect of reclassification of provisions (relating to repairs in the warranty period)	1,528	0	1,528
- effect of reclassification of lower capitalised own costs	-2,392	-4,517	2,125
- other operating expenses	-63	-63	0
Total operating expenses	**32,232**	**30,704**	**1,528**
Operating profit	**3,871**	**3,871**	**0**

In 2013, capitalised costs are recorded separately in view of type of costs when incurred. In connection with lower capitalised own costs, employee benefits expense account for EUR - 289 thousand and other operating expenses EUR - 329 thousand. These costs were adjusted for 2012, hence EUR – 2,125 thousand were recorded among employee benefits expense and EUR – 2,392 thousand among other operating expenses. The relevant costs were in 2012 reclassified from other operating expenses (EUR – 4,517 thousand).

Provisions for repairs in the warranty period were also reclassified and were in 2013 recorded among other income and other expenses. Accordingly, EUR – 762 thousand of revenue for 2012 (revenue from reversal, utilisation and creation of provisions relating to repairs in the warranty period) were transferred to other revenue (EUR 766 thousand) and other expenses (EUR 1,528 thousand).

Statement of other comprehensive income as at 31 December 2013

EUR thousand	2013	2012
Profit for the period	**778**	**3,043**
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Revaluation surplus on actuarial deficits and surpluses	-21	0
Other comprehensive income for the period	**-21**	**0**
Total comprehensive income for the period	**757**	**3,043**

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

1.2. Statement of Financial Position as at 31 December 2013

EUR thousand	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Intangible assets	3.9.	20,577	20,886
Property, plant and equipment	3.10.	2,583	2,812
Investments in subsidiaries	3.11	25	0
Other investments	3.12.	107	133
Deferred tax assets	3.13.	572	504
Total non-current assets		**23,864**	**24,335**
Inventories	3.14.	964	868
Trade and other receivables	3.15.	10,823	12,547
Short-term deferred costs and accrued income	3.15.	416	1,286
Income tax credits		548	0
Current investments	3.12.	25	29
Cash and cash equivalents		94	5
Total current assets and deferred costs and accrued income		**12,870**	**14,735**
Total assets		**36,734**	**39,070**

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

EUR thousand	Note	31 Dec 2013	31 Dec 2012
EQUITY AND LIABILITIES			
Called-up capital	3.16.	5,758	5,758
Capital surplus	3.16.	1	1
Reserves	3.16.	575	575
Retained earnings	3.16.	9,680	8,902
Revaluation reserve for property, plant and equipment	3.16.	1	1
Revaluation surplus on actuarial deficits and surpluses	3.16.	-21	0
Total equity and reserves		**15,994**	**15,237**
Provisions	3.17.	3,648	4,233
Non-current interest-bearing borrowings	3.19.	5,000	0
Non-current operating liabilities		120	0
Total non-current liabilities		**8,768**	**4,233**
Trade and other payables	3.18.	8,940	12,940
Income tax payable		0	221
Interest-bearing borrowings	3.19.	2,022	5,143
Accrued costs and expenses	3.20.	1,010	1,296
Total current liabilities		**11,972**	**19,600**
Total liabilities and accrued costs and deferred income		**20,740**	**23,833**
Total equity and liabilities		**36,734**	**39,070**

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 2013

EUR thousand	Called-up capital	Capital surplus	Own shares	Reserves	Retained earnings or losses	Revaluation reserve for property, plant and equipment	Revaluation surplus on actuarial deficits and surpluses	Total
Balance at 1 Jan 2013	**5,758**	**1**	**0**	**575**	**8,902**	**1**	**0**	**15,237**
Net profit for the period					778			778
Other comprehensive income for the period							-21	-21
Comprehensive income for the period	**0**	**0**	**0**	**0**	**778**	**0**	**-21**	**757**
Transfer to retained earnings and reserves								0
Balance at 31 Dec 2013	**5,758**	**1**	**0**	**575**	**9,680**	**1**	**-21**	**15,994**

Further details are provided in Note 3.16.

Statement of Changes in Equity as at 31 December 2012

EUR thousand	Called-up capital	Capital surplus	Own shares	Reserves	Retained earnings or losses	Revaluation reserve for property, plant and equipment	Revaluation surplus on actuarial deficits and surpluses	Total
Balance at 1 Jan 2012	**5,758**	**1**	**0**	**575**	**5,859**	**1**	**0**	**12,194**
Net profit for the period					3,043			3,043
Other comprehensive income for the period								0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**3,043**	**0**	**0**	**3,043**
Transfer to retained earnings and reserves								0
Balance at 31 Dec 2012	**5,758**	**1**	**0**	**575**	**8,902**	**1**	**0**	**15,237**

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 2013

EUR thousand	Note	2013	2012
A. Cash flows from operating activities			
a) Profit before tax		**763**	**3,794**
b) Adjustments for:			
Depreciation and amortisation expense	3.9.,3.10.	1,438	1,466
Impairment and write-offs of intangible assets, and property, plant and equipment		5	1
Movement in allowances for receivables		302	12
Gain on disposal of property, plant and equipment		-20	-5
Finance costs	3.7.	177	97
Finance income	3.7.	-11	-20
Change in trade and other receivables	3.15.	1,423	1,265
Change in short-term deferred costs and accrued income	3.15.	870	-1,038
Change n inventories	3.14.	-96	420
Change in provisions	3.17.	-585	556
Change in accrued costs and expenses	3.20.	-286	-866
Change in trade and other payables	3.18.	-3,977	2,956
Income tax paid		-806	-667
c) Net cash from operating activities		**-803**	**7,971**
B. Cash flows from investing activities			
a) Receipts from investing activities		**62**	**50**
Proceeds from sale of property, plant and equipment		23	0
Interest received		11	20
Disposal of non-current investments		25	25
Disposal of current investments		3	5
b) Disbursements from investing activities		**-930**	**-9,852**
Acquisition of property, plant and equipment		-588	-811
Acquisition of intangible assets		-317	-9,041
Investments in form of loans given		-25	0
c) Net cash used in investing activities		**-867**	**-9,802**
C. Cash flows from financing			
a) Cash receipts from financing activities		**16,637**	**21,105**
Non-current interest-bearing borrowings	3.19.	5,000	0
Current interest-bearing borrowings	3.19.	11,637	21,105
b) Cash payments from financing activities		**-14,878**	**-19,284**
Repayment of loans		-14,758	-19,198
Interest paid		-120	-86
c) Cash flow used in financing activities		**1,759**	**1,821**
Net increase/decrease in cash and cash equivalents		**89**	**-9**
D. Closing balance of cash		**94**	**5**
Opening balance of cash		**5**	**15**

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

2. NOTES TO 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 office:	Cigaletova 10, 1000 Ljubljana, Slovenia

b. Establishment, registration and ownership

The Company was established in 2000 and started its operations in 2004.

At 31 December 2013, 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 office of Telekom Slovenije, d.d., at Cigaletova 15 in Ljubljana.

At the beginning of 2013, GVO, d.o.o. established the subsidiary GVO Telekommunikation GmbH and its registered office in Germany, with the purpose to obtain new business deals relating to optical networks.

In compliance with IAS 27 and the shareholder's assessment, the consolidated financial statements are compiled on the entire level of the Telekom Slovenije Group.

e. Data on staff

As at the reporting date, the Company employed 437 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	215	54.6	258	59.0	43	237
Level V	116	29.4	116	26.6	0	116
Level VI	39	9.9	38	8.7	-1	39
Level VII	24	6.1	25	5.7	1	25
Total	**394**	**100**	**437**	**100.0**	**43**	**415.5**

The average number of staff in view of working hours and education lied in 2013 at 415.5.

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 of 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), as adopted by the European Union, and the Slovenian Companies Act (ZGD – 1).

The financial statements were approved for release on 27 February 2014.

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 applied International Financial Reporting Standards and the IFRS adopted by the EU.

b. Basis of the preparation of 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 estimates among others include decisions regarding impairment of appliances, equipment and intangible assets. Estimates must include cause, timing and amount of impairment. In addition, expected cash flows must be assessed as well as useful lives and the residual value of assets. Value of investments in instruments, appliances, tools and equipment, required for generating revenue are to be revalued.

The value of receivables is maintained by means of management's estimate on their collectability. Impairment of doubtful receivables is assessed on the basis of the receivable's age, former write-offs, creditworthiness and change in the liquidity situation of individual companies. Should the actual financial situation deteriorate, the actual write-off could exceed the projected figures.

Management is required to assess whether the actual deferred tax is required to be restated. In order to assess this possibility, the management will have to take into account several factors including previous business results, business plans, and by compiling a tax strategy. Derogations from estimates or actual results and the requirement of adjusting the estimates in future periods, can have a negative impact on the operating results, the statement of financial position and cash flows. Should the estimate on the future use of deferred tax change, the recognised deferred tax must be reduced in the income statement or directly in equity, depending on the method of initial recognition.

Significant assessments are required in case of measurement and recognition of Company's exposure to contingent liabilities arising from unresolved disputes, as well as other unsettled receivables that are subject to negotiations and other contingent liabilities. Provisions for probable liabilities from legal actions are formed on the basis of the estimation made by the relevant departments 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. As this assessment process is generally uncertain, the actual loss may differ from the loss initially assessed. Management's estimates can change if new information is obtained. Adjustments of relevant estimates can have a significant impact on business results.

Income is assessed by management in view of the temporary construction situation and costs that are recognised and recorded in this period. Income and costs relating to contract on construction works, are recognised in compliance with the stage of works completion and in profit or loss for the period in which works were carried out.

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 as 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 were adopted but are not yet effective for the annual period ended 31 December 2013 and have not been applied in preparing these financial statements:

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 new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

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 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.

IAS 27 (2011) *Separate Financial Statements*
(Effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early)
IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. Moreover, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10 -Consolidated Financial Statements.

The Company does not expect the new Standard will have a material impact on the financial statements.

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 amendment to have a significant impact on the financial statements, as it does not offset financial assets and financial liabilities, and enters into no framework agreements on offset.

Amendments to **IAS 36** *Recoverable Amount Disclosures for Non-Financial Assets*
(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13)

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period.
The Amendments also require the following additional disclosures when impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period *and* recoverable amount is based on fair value less costs to disposal:

- the level of IFRS 13 ‘Fair value hierarchy’ within which the fair value measurement of the asset or cash-generating unit is categorised;
- for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it;
- for fair value measurements categorised within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

The Company does not expect the new Standard will have a material impact on the financial statements.

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 (software packages i.e. Autocad licences for 5 years and Microsoft licences 2 years).

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 and the residual value of significant items of intangible assets (whose carrying amount exceeds 5% of the carrying amount of total intangible assets, should they account for at least 5% of total assets' value) 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 checks on an annual basis whether any indications of impairment of intangible assets exist, i.e. it is reassessed whether significant technological changes (e.g. obsolete software, licences, existence of new advanced software) and market changes (e.g. fiercer

competition circumstances, decline in demand, and expansion to new markets) occurred. If so, the recoverable amount of such assets is determined. If such indicators exist, the residual value of assets is established.
Impairment is carried out if the recoverable amount of intangible assets significantly exceeds their carrying amount. Impairment is recorded in the income statement.

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 up until the assets is ready for its intended use.
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 and the residual values of significant items of property, plant and equipment (whose carrying amount during acquisition exceed 5% of the carrying amount of the asset, should the carrying amount of total assets account for at least 10% 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
Intercity cable network	20
Energy facilities	5 to 11
Construction machinery	3,6 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.

The Company assesses annually whether there are any internal or external business circumstances (significant technological changes, new and more efficient machines, appliances, instruments, standard and special tools), market changes (e.g. decline in demand, expansion to new markets), 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.

Fair value is assessed by an independent licensed appraiser if the management deems it necessary due to certain circumstances.

d. Investments

Investments are upon initial recognition classified among following groups:

- investments measured at fair value through profit or loss;
- investments in loans.

Indication of impairment of investments is assessed on the basis of following criteria:

- comparing as at the reporting date the carrying amount of the investment with the proportional part of the carrying amount of the subsidiary's total equity. Indication of impairment exists when at that date the carrying amount of the investment exceeds the proportional part of equity by more than 30%; and
- comparing the key ratios for the financial year with projections.

The Company does not prepare consolidated financial statements as these are compiled on the level of the Telekom Slovenije Group.

Loans

Loans are initially measured at fair value or amounts received less possible directly attributable costs of transaction.
Loans extended are upon initial recognition measured at amortised cost less impairment losses.
At each balance sheet date it is assessed whether there is objective evidence (liquidity issues of debtor) 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, damaged and obsolete 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.
Write-off of inventories of materials and goods increases revaluation operating expenses.

f. Trade and other receivables

Trade receivables are initially recorded at historical cost. Subsequent decrease due to impairment is recorded as an allowance of receivables, whereas the difference is disclosed in the income statement. In view of their maturity and the buyers' credit standing, 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 bank balances and cash 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.

Provisions for performance bonds issued are created in the percentage of projects' value, which ranges between 1% and 5% and takes into account diverse factors that impact the expected scope of faults occurring in an individual project. On the basis of former experiences, the Company forms long-term provisions relating to accounted costs for performance bonds issued (guarantees). The adequate percentage rate of provisions formed for guarantees is selected in view of the project's complexity and its environmental impact, in view of geomorphological, infrastructural and social specifics of the environment in which the project is implemented, in view of project's type, its scope, contractual provisions on repairs during warranty periods, and other specifics of individual projects. The said estimate is provided by the Company's relevant expert and confirmed by the CEO. At year-end, the amount of provisions is assessed to determine if the provision is adequate.

In 2013, provisions for warranties in the guarantee period were formed in the amount of 5% of the project's value with a higher risk rate of repairs in future periods (primarily in connection with new projects in Germany and certain other complex projects), in the amount of 3% for other investment projects (including investment and other maintenance) conducted for Telekom Slovenije and other buyers on the market, and in the amount of 1% for projects relating to repairs made in Telekom Slovenije network, where the risk rate of hidden errors is the lowest.

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 historic cost as stated in relevant documents. 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 services rendered is recognised in the income statement on the basis of temporary situations when the Company issues monthly invoices. Current costs are recorded in the period in which they occur and revenue is assessed on the basis of these invoices that are recognised in the same period, with the exception of projects that are charged in their full amount upon completion of works. In such cases, the Company monitors costs that occur during these projects and recognises them in the period, when also related revenue is recognised i.e. upon completion of projects; up until that date, the costs are adequately deferred.

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.

The item of revenue comprises mostly income from construction projects, income from maintenance works and repairs, income from land surveying services, income from technical and design documentation, income from electrical services, income from public-private partnerships, income from OŠO (user fee, admission fee, supervision), income from other services and sale of materials.

Income generated on construction projects, maintenance and repairs, land surveying services, project and design documentation, public-private partnerships, income from OŠO and other services, are recognised in the period when the service was rendered.

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

n. Finance income and finance costs

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 expense

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 other comprehensive income.

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.

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 2013 and 31 December 2012, the income statement items for the financial year 2013, 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	2013	Share (in %)	2012	Share (in %)
1. REVENUE	**30,910**	**100%**	**35,188**	**100%**
a) Revenue from sale of services	***30,928***	***100%***	***34,054***	***97%***
Revenue from sale of services – related entities	***24,872***	***80%***	***18,436***	***52%***
Investments - TS	*10,677*	*35%*	*10,072*	*29%*
Investments - GVO GmbH	*2,206*	*7%*	*0*	*0%*
Investments - other related entities	*0*	*0%*	*17*	*0%*
Maintenance	*10,433*	*34%*	*7,546*	*21%*
Land surveying services, technological and design services	*318*	*1%*	*0*	*0%*
Cross-market services - investments, maintenance, other	*159*	*1%*	*0*	*0%*
Use fee for GOŠO	*367*	*1%*	*238*	*1%*
Other services	*371*	*1%*	*563*	*2%*
Other services - GVO GmbH	*341*	*1%*	*0*	*0%*
REVENUE FROM SALE	***6,056***	***20%***	***15,618***	***44%***
JZP	*295*	*1%*	*11,859*	*34%*
Investments (JZP, OŠO)	*3,516*	*11%*	*834*	*2%*
Use fee for GOŠO	*357*	*1%*	*233*	*1%*
Foreign markets	*111*	*0%*	*535*	*2%*
Electrical services – investments, maintenance, other	*512*	*2%*	*0*	*0%*
Land surveying services, technological and design services	*16*	*0%*	*0*	*0%*
Other services	*1,249*	*4%*	*2,157*	*6%*
b) Revenue from sale of material	**-18**	***0%***	**1,134**	**3%**
REVENUE FROM SALE OF MATERIAL	-18	*0%*	1,134	3%

In 2013, Company's financial statements include EUR 217 thousand of revenue from services rendered for Telekom Slovenije and GVO Telekommunikation GmbH. The aforesaid works were fully completed (100 %), solely the signed contracts by trustees are required.

In the reporting period, loss on sale of material was incurred in the amount of EUR – 18 thousand referred to credit notes issued in connection with the GOŠO project, which entered its completion stage at the start of 2013.

3.2. Other operating income

EUR thousand	2013	2012 adjusted
Income on reversal of provisions for guarantees	439	766
Income on subsidies received	116	95
Gain on sale of property, plant and equipment	20	5
Other income	60	49
Total	**635**	**915**

Reversal of provisions for guarantees relates to provisions formed in previous years; if they are not utilised, the relevant provisions are reversed upon the expiry of the contractual period. The management lowered in 2013 the percentage rate of provisions formed as a result of past experiences.

3.3. Cost of materials and power supply

EUR thousand	2013	2012
Cost of materials sold	19	422
Cost of materials	5,831	8,487
Cost of power supply	677	764
Total	**6,527**	**9,673**

The decline in costs of material is attributable primarily to lower scope of work in 2013. The additional decline in material's value is also the result of the changed revenue structure i.e. revenue relating to investments (within which more material is required and used) declined in 2013, whereas revenue generated on maintenance work, fee for use (broadband network) and other works (where the implementation is more intensive but requires less material) have increased.

3.4. Cost of services

EUR thousand	2013	2012
Communication and transport services	176	201
Lease of property, plant and equipment	367	355
Maintenance of property, plant and equipment	463	534
Refund of labour-related costs	310	260
Professional and personal services	1,094	1,454
Insurance premiums	92	99
Fairs, advertising	6	26
Costs of entertainment	7	30
Banking services	37	31
Cost of other services	7,514	9,436
Total	**10,066**	**12,426**

Cost of other services include costs of sub-contractors in the amount of EUR 7,082 thousand (2012: EUR 9,089 thousand), costs of students in the amount of EUR 322 thousand (2012: EUR 180 thousand), and costs of other services in the total amount of EUR 110 thousand EUR (2012: EUR 167 thousand). The Company accrued costs of sub-contractors, whose construction projects were approved but invoices not yet received.

3.5. Employee benefits expense

EUR thousand	2013	2012 adjusted
Payroll costs	8,816	8,193
Social security contributions	1,841	1,771
- of which pension and disability insurance	1,191	1,235
Other employee benefits expense	1,506	1,755
Provisions for retirement benefits and jubilee premiums	36	0
Capitalised own costs	-289	-2,125
Total	**11,910**	**9,594**

In 2013, employee benefits expense grew by EUR 2.3 million as a result of capitalised costs of GOŠO projects that were in reducing employee benefits expense in 2012. Capitalised own costs referring to GOŠO projects were not recorded in the reporting period.
Other employee benefits expense 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	2013	2012 adjusted
Provisions	661	1,385
Write-off and disposal of property, plant and equipment	5	1
Write-off of inventories	0	11
Allowances for receivables	302	12
Other expenses	36	56
Capitalised own costs of production overheads	-329	-2,392
Total	**675**	**-927**

3.7. Finance income and finance costs

EUR thousand	2013	2012
Interest income	11	20
Total finance income	**11**	**20**
Interest expenses	135	97
Other finance costs	42	0
Total finance costs	**177**	**97**
Financial result	**-166**	**-77**

3.8. Income tax expense

EUR thousand	2013	2012
Current tax expense	-53	-636
Deferred tax income/expense	68	-115
Income tax expense charged against profit or loss	**15**	**-751**

EUR thousand	2013	2012
Profit or loss before tax under IFRS	763	3,794
Income tax by applying the valid tax rate	-130	-683
Tax incentives used in the current period	147	172
Change in the tax rate	67	-155
Non-deductible expenses	-69	-85
Total	**15**	**-751**

In 2013, the applicable income tax rate was 17% (2012: 18%). Due to the changed tax rate, the Company has recognised increased deferred tax assets and charged it against profit or loss in the amount of EUR 67 thousand.

The effective tax rate for 2013 was – 2.0% (2012: 19.8%).

Change in deferred taxes recognised in the income statement

EUR thousand	2013	2012
Property, plant and equipment	0	-3
Provisions	1	-74
Receivables and inventories	67	-38
Change in deferred tax assets / liabilities	**68**	**-115**

3.9. Intangible assets (IA)

At 31 December 2013, 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, which was not fully activated (GOŠO Mokronog - Trebelno, 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) and the partial activation of the projects GOŠO Mokronog - Trebelno, Slovenske Konjice and Sevnica).
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.
The private part of the network from the project GOŠO Koroška and Ormož were activated already in 2011 and in the same year the Company started to maintain the entire network. In 2013, the Company partially activated the projects GOŠO Sevnica (8%), GOŠO Mokronog - Trebelno (9%) and GOŠO Slovenske Konjice (5%). The remaining part of the GOŠO projects shall be activated in 2014. The lag in transfer of assets to use is attributable to the gradual set-up or construction of subscriber lines.

Due to the expiry of the MS licence as at the end of 2013, the Company extended the relevant contract in the amount of EUR 148 thousand. In the course of its business operations, the Company also uses software applications that have been written-off but are continually used.

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

Movements in intangible assets as at 31 December 2013

EUR thousand	Concessions and licences	Software	Other IA	IA in course of construction	Total
COST					
Balance at 1 Jan 2013	**83**	**59**	**8,376**	**13,157**	**21,675**
Additions	0	0	0	185	185
Transfer to use	148	0	3,856	-4,004	0
Balance at 31 Dec 2013	**231**	**59**	**12,232**	**9,338**	**21,860**
ACCUMULATED AMORTISATION					
Balance at 1 Jan 2013	**83**	**56**	**650**	**0**	**789**
Amortisation	0	1	493	0	494
Balance at 31 Dec 2013	**83**	**57**	**1,143**	**0**	**1,283**
CARRYING AMOUNT					
Balance at 1 Jan 2013	**0**	**3**	**7,726**	**13,157**	**20,886**
Balance at 31 Dec 2013	**148**	**2**	**11,089**	**9,338**	**20,577**

Movements 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	0	0	0	9,041	9,041
Transfer to use	0	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**

3.10. Property, plant and equipment (PPE)

The items of property, plant and equipment comprise motor vehicles, computer hardware, containers for the GOŠO project, intercity cable network, other equipment and plant 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.

Movements in property, plant and equipment as at 31 December 2013

EUR thousand	Buildings and land	Cable network	Other equipment	PPE under construction	Total
COST					
Balance at 1 Jan 2013	**23**	**0**	**10,913**	**0**	**10,936**
Additions	0	0	0	720	720
Transfer from assets under construction	0	131	589	-720	0
Write-off	0	0	-88	0	-88
Decrease	0	0	-206	0	-206
Balance at 31 Dec 2013	**23**	**131**	**11,208**	**0**	**11,362**
ACCUMULATED DEPRECIATION					
Balance at 1 Jan 2013	**3**	**0**	**8,121**	**0**	**8,124**
Additions	0	0	2	0	2
Write-off	0	0	-85	0	-85
Decrease	0	0	-206	0	-206
Depreciation	1	1	942	0	944
Balance at 31 Dec 2013	**4**	**1**	**8,774**	**0**	**8,779**
CARRYING AMOUNT					
Balance at 1 Jan 2013	**20**	**0**	**2,792**	**0**	**2,812**
Balance at 31 Dec 2013	**19**	**130**	**2,434**	**0**	**2,583**

Movements 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
Write-off	0	-120	0	-120
Decrease	0	-2	0	-2
Balance at 31 Dec 2012	**23**	**10,913**	**0**	**10,936**
ACCUMULATED DEPRECIATION				
Balance at 1 Jan 2012	**2**	**7,204**	**0**	**7,206**
Write-off	0	-119	0	-119
Decrease	0	-2	0	-2
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**

3.11. Investments in subsidiaries

In February 2013, GVO d.o.o. established the subsidiary GVO GmbH with a share capital of EUR 25 thousand and headquartered in Stadtlohn, Germany. The Company expects the subsidiary to record its break-even in coming years as it only started its operations. Consequently, indication of impairment was not established.
Company records certain liabilities due from its subsidiary as it guarantees in the name of the aforesaid that all sub-contractors will be repaid and all defects will be repaired should the subsidiary fail to do so. Consequently, the Company created provisions in the amount of 5% of value of projects in Germany (details in Note 3.17). The company GVO Telekommunikation GmbH raised no borrowings and records no liabilities, except the liability to meet contractual provisions, which is guaranteed for by the parent company GVO, d.o.o. (on the basis of the so-called Parent Guarantee).

3.12. Other investments

The item of other investments includes long-term housing loans granted to employees. A portion of loans, which matures within one year, is transferred to 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 contractual terms and conditions, the principal amount includes also the related interest. The respective loans are secured by the administrative prohibition to pay out salaries.

EUR thousand	2013	2012
Other short-term loans and deposits	25	29
Total current investments	**25**	**29**
Loans to employees	107	133
Total other non-current investments	**107**	**133**

Loans and held-to-maturity financial assets

Loans are measured at amortised cost using the effective interest method.
Loans are inclusive of interest receivables.

Loans by maturity

EUR thousand	2013
Undue	**108**
Overdue	**24**
- less than 3 months	0
- 3 to 12 months	1
- 1 to 5 years	23
- more than 5 years	0
Total	**132**

3.13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated by 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. The applicable income tax rate was 17% in the reporting period (2012: 18%). While calculating deferred tax assets and liabilities for 2013 pursuant to applicable legislation, the Company used a tax rate of 17%.

EUR thousand	2013	2012
Property, plant and equipment	1	1
Trade receivables	190	122
Provisions	381	381
Deferred tax assets	**572**	**504**

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 67 thousand.

3.14. Inventories

EUR thousand	2013	2012
Material	964	868
Total inventories	**964**	**868**

Inventories include primarily material used for the telecommunications activity. In 2013, no costs written off for obsolete inventories were recorded (2012: EUR 11 thousand). Inventories are not pledged as collateral.

3.15. Trade and other receivables

EUR thousand	2013			2012
	Gross value	Allowances	Net value	Net value
Trade receivables	10,957	-1,115	9,842	11,378
Total trade receivables	**10,957**	**-1,115**	**9,842**	**11,378**
Advances	7	0	7	329
VAT receivables and other tax receivables	526	0	526	754
Other receivables	448	0	448	86
Total other receivables	**981**	**0**	**981**	**1,169**
Deferred costs and accrued income	416	0	416	1,286
Total deferred costs and accrued income	**416**	**0**	**416**	**1,286**
Total trade and other receivables, deferred costs and accrued income	**12,354**	**-1,115**	**11,239**	**13,833**

82% of trade receivables refer to Group companies.

Allowances for receivables

EUR thousand	2013	2012
Balance at 1 Jan	**-814**	**-802**
Allowances formed	-342	-166
Reversal of allowances	41	154
Utilisation (write-off)	0	0
Balance at 31 Dec	**-1,115**	**-814**

As at 31 December 2013, the maturity structure of receivables that were past due but not impaired was as follows:

EUR thousand	2013		2012	
	Gross value	Allowances	Gross value	Allowance
Undue	**8,603**	**0**	**11,876**	**0**
Past due	**3,751**	**-1,115**	**2,771**	**-814**
up to 30 days	1,171	0	818	0
31 to 60 days	468	0	76	0
61 to 90 days	113	0	96	0
91 to 120 days	115	-25	60	-16
More than 121 days	1,884	-1,090	1,721	-798
Total receivables	**12,354**	**-1,115**	**14,647**	**-814**

3.16. Equity and reserves

EUR thousand	2013	2012
Called-up capital	5,758	5,758
Reserves	576	576
Retained earnings	9,680	8,902
Revaluation reserves for property, plant and equipment	1	1
Revaluation surplus on actuarial deficits and surpluses	-21	0
Total	**15,994**	**15,237**

Reserves

EUR thousand	2013	2012
Capital surplus	1	1
Legal reserves	575	575
Total reserves	**576**	**576**

Accumulated profit allocated by the General Meeting of Shareholders

EUR thousand

	2013	2012
Net profit for the period	778	3,043
+ retained earnings	8,902	5,859
- dividend payout	0	0
Accumulated profit allocated by the General Meeting of Shareholders	**9,680**	**8,902**

Total equity consists of called-up capital, legal reserves, capital surplus, revaluation reserves, revaluation surplus on actuarial deficits and surpluses, retained earnings from previous years, and undistributed net profit for the period as Company's retained earnings.

The Company did not form any legal reserves in 2013 as their total amount has already reached 10% of the share capital.

The item of revaluation surplus on actuarial deficits and surpluses includes the change of payables relating to retirement benefits in accordance with IAS 19 that became effective as of 1 January 2013.

3.17. Provisions

EUR thousand	31 Dec 2012	Utilisation	Reversal	Formation	31 Dec 2013
Provisions for probable payments resulting from legal actions	47	0	0	0	47
Provisions for retirement benefits and jubilee premiums	898	-36	0	98	960
Other provisions (disabled persons)	153	-115	0	67	105
Provisions for warranties	3,135	-821	-439	661	2,536
Total	**4,233**	**-972**	**-439**	**826**	**3,648**

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 (**warranties**)

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 2013, the Company formed provisions for repairs in the warranty period in the amount of 3% of the value of work performed for each contract concluded with related entities, except for repairs where the value of work performed equals 1%. The contracts include a liability to render repairs in the warranty period, which is generally determined at two years.
As for the domestic market, the Company is liable to carry out repairs in a warranty period ranging between two and five years. The percentage rate of related provisions formed is 3% of the value of work performed for each contract concluded.
With respect to the GOŠO Ormož project (stage II) provisions were formed for repairs in the warranty period in the amount of 5% of the value of own work performed.
With respect to the subsidiary in Germany, provisions were created for repairs in the warranty period in the amount of 5% of the value of work performed.
With respect to the GOŠO projects and works in Germany, provisions for repairs in the warranty period were formed in a higher percentage rate than for other projects, which is mainly due to the higher risk rate of defects in future periods (e.g. more complex terrain, new markets).

Provisions for retirement benefits and jubilee premiums

Provisions for retirement benefits and jubilee premiums are based actuarial calculations of data as at 31 December 2013.

No other pension-related liabilities are recorded.

In 2013, provisions were formed based on calculations prepared by a certified actuary. The calculations applied the discount rate of 4.10%, whereas the fluctuation rate takes account of the age interval and ranges from 0% to 3%. While taking account of the actuarial calculation, the change in payables for jubilee premiums was recorded among finance costs and employee benefits expense. Further, the change in payables for retirement benefits was recorded in other comprehensive income (equity), among employee benefits expense and finance costs.

Provisions for probable payments resulting from legal actions

Provisions for probable payments resulting from legal actions are created on the basis of the estimated outcome of the actions. The date of payment cannot be determined.

As at 31 December 2013, four legal actions were filed against the Company in the total amount of EUR 80 thousand (2012: EUR 59 thousand). As at 31 December 2013, Company's provisions for probable payments resulting from legal actions were recorded in the amount of EUR 47 thousand.

On the basis of management's estimate and legal opinions obtained, no additional provisions are required to be formed for probable payments resulting from legal actions.

3.18. Trade and other payables

EUR thousand	2013	2012
Trade payables	7,502	11,153
VAT and other tax payables	148	124
Payables to employees	785	911
Payables for advances	43	39
Other payables	462	713
Total trade and other liabilities	**8,940**	**12,940**

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

The item of trade and other payables includes EUR 788 thousand of overdue trade payables. Company's operations declined over the previous period, hence trade payables have dropped by 33%.

3.19. Interest-bearing borrowings

EUR thousand	2013	2012
Long-term borrowings	**5,000**	**0**
Total long-term portion	**5,000**	**0**
Short-term borrowings	**2,022**	**5,143**
Borrowings to group companies	2,013	5,134
Interest on borrowings	9	9
Total short-term portion	**2,022**	**5,143**

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	5,000		3,500	1.574%	31 Dec 2021	Blank bills of exchange
		2,013	0	1.478%	2 Jul 2014	Blank bills of exchange

Company's current financial liabilities include liabilities to Group companies in the amount of EUR 2,013 thousand (revolving loan received from Telekom Slovenije, d.d.). The loan is secured by a blank bill of exchange.

Non-current financial liabilities include liabilities to Group companies amounting to EUR 5,000 thousand (borrowing from Telekom Slovenije, d.d.). For securing all liabilities under the loan contract, the Company submitted to Telekom two blank bills of exchange with the related statement and authorisation of payment.

3.20. Accrued costs and expenses

EUR thousand	31 Dec 2013	31 Dec 2012
Provisions for annual leave not taken	821	686
Accrued payroll costs	0	74
Accrued incentives	0	50
Other accrued costs and expenses	189	486
Total	**1,010**	**1,296**

Other accrued costs and expenses comprise costs of sub-contractors, costs of material and audit, which occurred in 2013 but related invoices were not received as at 31 December 2013.

3.21. Commitments and contingencies

Liabilities under the operating lease

Company as the lessor
In 2013, the Company rerecorded liabilities in connection with the lease of property, plant and equipment.
The Company's income statement for 2013 includes costs for the operating lease in the amount of EUR 366 thousand (2012: EUR 335 thousand). The operating lease costs refer to the rentals for offices, cars and other items of property, plant and equipment. The relevant contract is concluded for an indefinite period of time.

EUR thousand	2013	2012
1 year	366	335
1 to 2 years	732	670
3 to 5 years	732	670
more than 5 years	1,830	1,675
Total	**3,660**	**3,350**

Company as the lessee

The Company discloses in the reporting period receivables under the finance lease of property, plant and equipment. They refer to fixed assets, which the parent company hires out to its subsidiary GVO Telekommunikation GmbH. The list of respective assets is enclosed to the contract; should the latter change, an annex is concluded. The relevant contract is concluded for an indefinite period of time.

EUR thousand	2013	2012
1 year	266	0
1 to 2 years	532	0
3 to 5 years	532	0
more than 5 years	1,330	0
Total	**2,660**	**0**

3.22. Off balance sheet items

Off balance sheet items in the total amount of EUR 1,874 thousand (2012: EUR 2,065 thousand) comprise collaterals provided in form of bank guarantees and bills of exchange granted for tenders, repairs 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 2013

v EUR	2013	2012
Managing Director	129,850	127,601
Managers and staff employed under individual contracts that are not subject to the tariff part of the collective agreement	376,529	379,769
Total	**506,379**	**507,370**

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.

EUR	Total amount of receipts	Loans	
		Outstanding portion in 2013	Repayments in 2013
Managing Director	129,850	0	0
Managers and staff employed under individual contracts that are not subject to the tariff part of the collective agreement	376,529	35,034	5,331
Total	**506,379**	**35,034**	**5,331**

4.3. Maturity structure of liabilities

The maturity of liabilities under contracts as at 31 December 2013 and 31 December 2012 is presented below:

EUR thousand	Overdue	On demand	3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
31 Dec 2013							
Borrowings and loans	0	0	9	2,013	1,500	3,500	7,022
Anticipated loan interest	0	0	16	92	290	125	523
Trade payables and other operating liabilities	788	975	5,553	1,624	120	0	9,060
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 current operating liabilities	261	1,435	8,504	2,740	0	0	12,940

4.4. Auditor's fees

EUR thousand	2013	2012
Audit of the annual report	9	7
Other services and provision of assurance	0	3
Total	**9**	**10**

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 2013 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	2013	2012
Receivables due from Group companies	**9,131**	**7,830**
Telekom Slovenije, d.d.	7,539	7,830
GVO GmbH	1,592	0
Liabilities to Group companies	**11,211**	**8,789**
Telekom Slovenije, d.d.	11,085	8,758
Avtenta d.o.o.	15	18
TSmedia Group	0	1
SOLINE d.o.o.	0	12
GVO GmbH	111	0
Revenue on sales to Group companies	**24,715**	**18,637**
Telekom Slovenije, d.d.	22,168	18,602
Avtenta d.o.o.	0	4
TSmedia Group	0	14
IPKO Group	0	17
GVO GmbH	2,547	0
Purchase of material and services from Group companies	**5,294**	**6,038**
Telekom Slovenije, d.d.	5,234	5,902
Avtenta d.o.o.	60	130
TSmedia Group	0	1
SOLINE d.o.o.	0	5

Receivables due from Group companies as at 31 December 2013 comprise short-term accrued revenue, whereas liabilities to Group companies are inclusive of provisions, non-current borrowings, trade and other payables, and short-term borrowings.

4.7. Risk management

The Company undertakes to implement procedures for a timely detection, assessment, control and monitoring of risk, which aims for an efficient implementation of business plans and the Company's strategy.
Accordingly, the Company:

- monitors business objectives,
- detects risks that may aggravate the implementation of goals,

- regularly monitors the exposure to various risks that occur during business processes and within the social environment,
- implements an overall risk management system,
- monitors the risk management measures that proved efficient,
- draws special attention to managing key risks,
- educates and raises awareness of staff and managers on all levels regarding risk management,
- checks the efficiency of internal controls in view of managing the key risks, and
- constantly upgrades and develops the risk management process.

The Company manages the risk with the purpose to lower unforeseen and untoward incidents, to take opportunities, to increase efficiency and operating performance, to improve satisfaction of business partners, to obtain more quality information for decision-making, and to enhance reputation, stability and transparency of operations.

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.

Other risks
Other financial risks comprise the risk of losing projects on the domestic market due to government's passiveness or inactivity and operational risks (damage and inaccessibility, power outage, technical errors). The Company monitors these risks by obtaining new projects on a regular basis and minimising the possibility of untoward incidents.

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.

5. INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Shareholders of GVO 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 financial position as at 31 December 2013, 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 2013, 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.

Damjan Ahčin, ACCA
Certified Auditor

Katarina Sitar Šuštar
Partner

KPMG Slovenija, d.o.o.
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Ljubljana, 27 February 2014

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. The Slovene version shall prevail in case of inconsistencies between the original and the translation of the annual report including the auditor's report.