

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

FINANCIAL STATEMENTS

2014

Ljubljana, March 2015

I. ACCOUNTING REPORT

1. FINANCIAL STATEMENTS

Income Statement as at 31 December 2014

EUR thousand	Note	2014	2013
Revenue	3.1	33,598	30,910
Other operating income	3.2	728	635
Cost of materials sold	3.3	0	19
Cost of materials and power supply	3.3	7,324	6,508
Cost of services	3.4	11,845	10,066
Employee benefits expense	3.5	11,388	11,910
Amortisation and depreciation expense	3.9, 3.10	1,567	1,438
Other operating expenses	3.6	1,633	675
Total operating expenses		33,757	30,616
Operating profit		569	929
Finance income	3.7	12	11
Finance costs	3.7	208	177
Profit before tax		373	763
Income tax expense	3.8	188	53
Deferred tax	3.8	43	-68
Profit for the period		142	778

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

Statement of Other Comprehensive Income as at 31 December 2014

EUR thousand	Note	2014	2013
Profit for the period		142	778
Revaluation surplus on actuarial deficits and surpluses		-108	-21
Other comprehensive income for the period		-108	-21
Total comprehensive income for the period		34	757

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

Statement of Financial Position as at 31 December 2014

EUR thousand	Note	31 Dec 2014	31 Dec 2013
NON-CURRENT ASSETS		22,166	23,864
Intangible assets	3.9	19,780	20,577
Property, plant and equipment	3.10	1,776	2,583
Investments in subsidiaries	3.11	25	25
Other investments	3.12	57	107
Other non-current assets		0	0
Deferred tax assets	3.13	528	572
CURRENT ASSETS		12,905	12,870
Assets held for sale		0	0
Inventories	3.14	887	964
Trade and other receivables	3.15	11,617	10,823
Short-term deferred costs and accrued income	3.15	269	416
Income tax credits	3.13	0	548
Current investments	3.12	26	25
Cash and cash equivalents	3.16	106	94
TOTAL ASSETS		35,071	36,734
EUR thousand	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES		16,027	15,994
Called-up capital	3.17	5,758	5,758
Capital surplus	3.17	1	1
Revenue reserves	3.17	575	575
Retained earnings	3.17	9,822	9,680
Revaluation reserve for property, plant and equipment	3.17	0	1
Revaluation surplus on actuarial deficits and surpluses	3.17	-129	-21
NON-CURRENT LIABILITIES		8,266	8,768
Long-term deferred revenue		0	0
Provisions	3.18	3,506	3,648
Non-current interest-bearing borrowings	3.20	4,700	5,000
Other non-current financial liabilities		0	0
Non-current operating liabilities	3.19	60	120
Deferred tax liabilities		0	0
CURRENT LIABILITIES		10,778	11,972
Trade and other payables	3.19	9,920	8,940
Income tax payable	3.13	135	0
Interest-bearing borrowings	3.20	7	2,022
Other current financial liabilities		0	0
Short-term deferred revenue		0	0
Accrued costs and expenses	3.21	716	1,010
TOTAL EQUITY AND LIABILITIES		35,071	36,734

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

Statement of Changes in Equity as at 31 December 2014

EUR thousand	Called-up capital	Capital surplus	Revenue reserves	Retained earnings or losses	Revaluation reserve for property, plant and equipment	Revaluation surplus on actuarial deficits and surpluses	Total
Balance at 1 Jan 2014	5,758	1	575	9,680	1	-21	15,994
Net profit for the period				142			142
Other comprehensive income for the period						-108	-108
Comprehensive income for the period	0	0	0	142	0	-108	34
Transactions with owners	0	0	0	0	0	0	0
Other					-1		-1
Balance at 31 Dec 2014	5,758	1	575	9,822	0	-129	16,027

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

1.4. Statement of Changes in Equity as at 31 December 2013

EUR thousand	Called-up capital	Capital surplus	Revenue 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	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	778	0	-21	757
Transactions with owners	0	0	0	0	0	0	0
Balance at 31 Dec 2013	5,758	1	575	9,680	1	-21	15,994

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

Statement of Cash Flows as at 31 December 2014

EUR thousand	2014	2013
A. Cash flows from operating activities		
a) Profit before tax	373	763
b) Adjustments for:		
Depreciation of property, plant and equipment	1,567	1,438
Impairment and write-offs of intangible assets, and property, plant and equipment	0	5
Movement in allowances for receivables	0	302
Gain on disposal of property, plant and equipment	17	-20
Finance income	-12	-11
Finance expenses	208	177
Change in trade and other receivables	-794	1,423
Change in short-term deferred costs and accrued income	147	870
Change in inventories	77	-96
Change in provisions	-142	-585
Change in accrued costs and expenses	-295	-286
Change in trade and other payables	810	-3,977
Income tax paid	449	-806
c.) Net cash from operating activities	2,406	-803
B. Cash flows from investing activities		
a) Receipts from investing activities	197	62
Proceeds from sale of property, plant and equipment	147	23
Interest received	0	11
Disposal of non-current investments	50	25
Disposal of current investments	-1	3
b) Disbursements from investing activities	-175	-930
Acquisition of property, plant and equipment	-175	-588
Acquisition of intangible assets	0	-317
Investments in form of loans given	0	-25
c) Net cash used in investing activities	22	-867
C. Cash flows from financing activities		
a) Cash receipts from financing activities	15,463	16,637
Non-current interest-bearing borrowings	0	5,000
Current interest-bearing borrowings	15,463	11,637
b) Cash payments from financing activities	-17,879	-14,878
Repayment of current interest-bearing borrowings	-17,476	-14,758
Repayment of non-current interest-bearing borrowings	-300	0
Interest paid	-103	-120
c) Cash flow used in financing activities	-2,416	1,759
Net increase/decrease in cash and cash equivalents	12	89
D. Closing balance of cash	106	94
Opening balance of cash	94	5

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 2014, the share capital of the Company was recorded at EUR 5,758 thousand.

c. Company's activity

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 394 employees.

Staff structure by educational level

No. of employees in the reporting period and in view of the actual 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 I	50	11.4%	38	9.6%	-12	44
Level II	33	7.6%	30	7.6%	-3	31.5
Level III	0	0.0%	0	0.0%	0	0
Level IV	123	28.1%	114	28.9%	-9	118.5
Level V	152	34.8%	134	34.0%	-18	143
Level VI	49	11.2%	48	12.2%	-1	48.5

Level VII	29	6.6%	29	7.4%	0	29
MSc and PhD degree	1	0.2%	1	0.3%	0	1
Total	437	100.0%	394	100.0%	-43	415.5

The average number of staff in view of working hours and education lied in 2014 at 415.5.

f. Bodies of the Company

Bodies of the Company include:

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

Managing Director: Mr. Borut Radi. Up to 28 February, Mr. Edo Škufca performed the function of Company's Managing Director.

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 500 thousand are subject to a consensus of the Supervisory Board.

2.2. Basis of preparation

a. Statement of compliance

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

As at the balance sheet date and 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, and in compliance with requirements of the Companies Act.

The financial statements were approved for release on 6 March 2015.

b. Basis of the preparation of financial statements

The financial statements have been prepared based on the going concern assumption and the historical cost basis.

Items in separate financial statements are presented in euro, rounded to the nearest thousand.

c. Functional currency and foreign currency transactions

The separate financial statements of GVO, d.o.o are presented in euro, which is the functional and presentation currency of the parent company Telekom Slovenije, d.d. and its subsidiaries in Slovenia. Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the date of the transactions.

Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing at the date of the statement of financial position. All differences resulting from foreign currency translations are recognised in the income statement.

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

d. 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.

Useful lives of significant items of intangible assets and property, plant and equipment are reassessed on an annual basis and if expectations differ significantly from earlier estimates, 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. In addition, the Company also checks the residual value.

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

Significant accounting policies used in the preparation of the separate financial statements of the Company are set out below.

The accounting policies and methods used are consistent with those applied in the previous year, except for the adoption of new standards and interpretations, noted below and taken into account in the financial statements if the Company incurred the relevant transactions in the reporting period.

a) Standards, interpretations and amended standards not yet effective

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

In compliance with requirements of the International Financial Reporting Standards and the EU, companies are subject to apply following amended standards and interpretations in coming periods if adopted by the EU:

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2014 and have not been applied in preparing these financial statements: [IAS 8.30 (a)]:

Standard/Interpretation <i>[IAS 8.31 (a), 8.31(c)]</i>	Nature of impending change in accounting policy <i>[IAS 8.31 (b)]</i>	Example wording regarding the possible impact on financial statements [IAS 8.31 (e)]
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)	The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are: <ul style="list-style-type: none"> ▪ set out in the formal terms of the plan; ▪ linked to service; and ▪ independent of the number of years of service. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.	The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.
IFRIC 21 - Levies (Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.)	The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.	It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the Company's accounting policy regarding levies imposed by governments.
IFRS 3 - Business Combinations	The amendment to IFRS 3 <i>Business Combinations</i> (with consequential amendments to other standards) clarifies business combinations that when contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, rather than to any other standard. It also clarifies that contingent consideration that is	The Company does not expect the amendment to have a significant impact on the financial statements since it does not have contingent considerations and no subsidiaries.

Standard/Interpretation <i>[IAS 8.31 (a), 8.31(c)]</i>	Nature of impending change in accounting policy <i>[IAS 8.31 (b)]</i>	Example wording regarding the possible impact on financial statements <i>[IAS 8.31 (e)]</i>
	classified as an asset or a liability shall be measured at fair value at each reporting date.	

The new standards and interpretations shall be applied in compliance with requirements and if adopted by the EU.

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 initially stated at cost less accumulated amortisation and less impairment losses.

The item of intangible assets comprises:

- intangible assets relating to concessions (GOŠO)
- 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.

Intangible assets are **amortised** on a straight-line basis over their estimated useful lives, from the date that they are available for use.

Groups of intangible assets	Useful lives in years
intangible assets	20
licences	2-5
computer software – application software	3

Intangible assets under the GOŠO project (Construction of open broadband network) are amortised on a 20-year basis since the concession was issued for this period of time. The amortisation period is adequately shorter in case of a late submission of the activation protocol. The aforesaid is due to the fact that the fixed assets is amortised by the beginning of this concession's validity.

The costs of software are capitalised at cost and amortised over the useful life i.e. 3 years, whereas individual licences for the use of software are capitalised during the term of the contract i.e. between 2 and 5 years in general.

Other property rights 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 of significant items of intangible assets are reassessed on an annual basis and if expectations differ significantly from earlier estimates, 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. An item of intangible assets is considered to be significant if its carrying amount exceeds 5% of the carrying amount of total intangible assets provided, they account for at least 5% of the assets structure. Useful lives of assets are verified in compliance with the estimated useful life in which the assets shall contribute to economic benefits or generate income, and related to the estimate of the technological or economic useful life of the assets.

At each reporting date, the Company checks whether there is indication of impairment of intangible assets i.e. it reassesses 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 or interest rate significantly fell. If so, the recoverable amount of such asset is determined. The recoverable amount equals the fair value less selling expenses 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 disclosed in the income statement.

Reversal of impairment of intangible assets 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.

c. Property, plant and equipment

Property, plant and equipment owned by the Company are stated at cost.

The cost of an item of property, plant and equipment includes all expenditures that are necessary to make the asset ready for its intended use. Costs of borrowing that may be directly attributed to the acquisition, construction or production of an asset in course of 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.

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.

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

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

Depreciation is accounted on a straight-line basis over the entire estimated useful lives of items of property, plant and equipment. Annual depreciation is during the fiscal year evenly divided by periods.

Groups of property, plant and equipment	Useful lives in years
instruments	5
standard and specialised tools	5
energy facilities	5-11
motor vehicles (cars, lorries, trailers)	6-10
containers	15
construction machines and appliances	6-8
computer hardware	3
intercity cable network	20
- GSM phones	2
other equipment	3-11

An item of property, plant and equipment is recognised at cost and depreciation begins on the first day of the following month after it has been available for use.

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. Significant property, plant and equipment are those, whose carrying amount exceeds 5% of the carrying amount of total intangible assets, should they account for at least 5% of total assets' value.

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 the recoverable amount. The recoverable amount equals the fair value less selling expenses or the value in use, whichever is higher. Value in use is assessed as the present value of expected future cash flows, whereas 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 revaluation reserves for property, plant and equipment in the comprehensive income. If the event of aforesaid, 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.

Fair value is established by an independent appraiser if the management assesses that this is required in view of business circumstances.

d. Inventories

A quantity unit of inventories is recorded at cost comprising the 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 using the average prices method. Decrease in inventories is recorded at the average price of each individual article.

Slow-moving inventories are written down to their 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 least at year-end, inventories are revalued to account for impairment if their carrying value exceeds their net realisable value.

Small tools and personally secured equipment and protecting clothing put in use are immediately transferred among costs. Special records in terms of quantity and value by each individual holder are kept by the Company.

e. Trade and other receivables

Trade receivables are initially recorded at historical cost less impairment losses. Upon initial recognition, the receivables are recognised at amortised cost. Allowances for trade receivables due from local and foreign customers are formed on the basis of their maturity structure, whereas the amount of allowance for each individual class of receivables depends on the assessed collectability.

Allowances for trade receivables are formed based on the aging structure of each individual receivable, while the amount of allowance for each individual group depends on the estimated collectability, namely:

- allowance of 50% of the amount is made for receivables due and outstanding between 90 and 180 days,
- allowance of 75% of the amount is made for receivables due and outstanding between 181 and 365 days,
- allowance of 100% of the amount is made for receivables due and outstanding for more than 365 days.

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 for receivables are formed individually. An individual treatment depends on the contracts signed with debtors relating to settlement of liabilities or signed offsetting contracts.

f. 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.

g. 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.

Provisions are decreased directly by the amount of cost or expenses for the coverage of which they were formed.

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 are formed in accordance with 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 date of the statement of financial position. A calculation is made per individual employees taking into account the cost of termination benefit upon retirement and the cost of all expected anniversary benefits by the time of retirement, using the calculation made by a certified actuary (Projected Unit Credit Method). At each year-end, the amount of provisions is assessed and either increased or decreased accordingly.

Provisions for performance bonds issued are created if the amount can be reliably estimated based on service contracts. The estimate is prepared by one of Company's employees in charge of this segment and approved by the Managing Director. At year-end, the amount of provisions is assessed to determine if the provision is adequate and any necessary revisions are made accordingly.

In 2014, provisions for warranties in the guarantee period were formed in the amount of 3% of the value of works performed for each contract with related companies, except in case of repairs amounting to 0.5% of the value of work performed. The contracts concluded with related companies include the liability for repairs in the warranty period, which generally lasts for two years.

As for the domestic market, the Company entered into a liability for repairs in the warranty period that generally lasts from two to five years. The percentage rate of forming provisions lies at 3% from the value of work performed for each contract.

As for Germany, provisions for warranties were formed at 5% from the value of work performed. The higher percentage rate is the result of the remote location in case of repairs, as well as related higher costs.

h. 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. If the actual or agreed interest rate does not significantly differ from the effective interest rate, interest-bearing borrowings are disclosed in the statement of financial position at initial value reduced by any repayments.

i. 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.

j. Short-term accrued and deferred items

Accrued costs comprise costs of annual leave not taken, accrued payroll costs, awards and costs of services rendered for which invoices have not yet been issued.

k. 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.

l. 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) to the net carrying amount of the financial assets.

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

n. Statement of cash flows

The statement of cash flows is compiled under the indirect method based on data from the statement of financial position as at 31 December 2014 and 31 December 2013, the income statement for the financial year 2014, and additional information necessary to make adjustments of cash inflows and outflows. The statement of cash flows for 2014 includes all significant adjustments made.

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. Revenue

EUR thousand	2014	2013
a) Revenue from sale of services	33,598	30,910
Revenue from sale of services – related entities	30,864	24,872
<i>Investments - TS</i>	14,160	10,677
<i>Investments - GVO GmbH</i>	1,016	2,206
<i>Investments - other related entities</i>	0	0
<i>Maintenance</i>	13,941	10,433
<i>Land surveying services, technological and design services</i>	200	318
<i>Cross-market services - investments, maintenance, other</i>	382	159
<i>Use fee for GOŠO</i>	671	367
<i>Other services</i>	377	371
<i>Other services - GVO GmbH</i>	117	341
b.) Revenue from sale – foreign markets	2,734	6,038
<i>JZP</i>	0	295
<i>Investments (JZP, OŠO)</i>	1,038	3,516
<i>Use fee for GOŠO</i>	512	357
<i>Foreign markets</i>	0	111
<i>Electrical services – investments, maintenance, other</i>	196	512
<i>Land surveying services, technological and design services</i>	38	16
<i>Other services</i>	950	1,231
Net revenue	33,598	30,910

In 2014, Company's financial statements include EUR 171 thousand of revenue from services rendered for Telekom Slovenije and services rendered on the market.

Revenue from investment and construction-related contracts are within the revenue structure disclosed among revenue from related entities i.e. investments – TS, investments - GVO GmbH, and investments – other related entities, while within revenue relating from foreign markets under the items of JZP, and investments (JZP, GOŠO). The total revenue generated on construction contracts amounted in 2014 to EUR 16,215 thousand.

3.2. Other operating income

EUR thousand	2014	2013
Income on reversal of provisions for guarantees	537	439
Income on subsidies received	114	116
Gain on sale of property, plant and equipment	60	20
Other income	17	60
Total	728	635

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.

3.3. Costs of materials and power supplied

EUR thousand	2014	2013
Costs of goods and materials sold	0	19
Costs of material	6,686	5,831
Costs of power supply	638	677
Total	7,324	6,527

Costs of material grew due to larger scope of work in 2014.

3.4. Costs of services

EUR thousand	2014	2013
Maintenance of property, plant and equipment	491	463
Lease of property, plant and equipment	497	367
Professional and personal services	895	1,094
Refund of labour-related costs	291	310
Insurance premiums	90	92
Banking services	41	37
Costs of means of communication and transport	165	176
Fairs and advertising	6	6
Costs of entertainment	4	7
Cost of other services	9,365	7,514
Total	11,845	10,066

Other costs of services include costs of sub-contractors in the amount of EUR 8,974 thousand (2013: EUR 7,082 thousand), costs of work performed by students and pupils in the amount of EUR 265 thousand (2013: EUR 322 thousand), and other costs of services at EUR 126 thousand (2013: in the total amount of EUR 110 thousand).

3.5. Employee benefits expense

EUR thousand	2014	2013
Payroll costs	7,831	8,816
Social security contributions	1,708	1,841
- of which pension and disability insurance	1,139	1,191
Other employee benefits expense	1,762	1,506
Provisions for retirement benefits and jubilee premiums	38	36
Capitalised own products and own services	49	-289
Total	11,388	11,910

Employee benefits expense declined in 2014 by EUR 985 thousand. Other employee benefits expense include commuting allowances (EUR 434 thousand), meals allowance (EUR 468 thousand), vacation bonus (EUR 310 thousand), severance pays or retirement benefits (EUR 93 thousand), and costs of remuneration, incentives and other payments made to the employees.

3.6. Other operating expenses

EUR thousand	2014	2013
Formation of provisions (Note 3.18.)	396	661
Loss on sale of intangible assets, and property, plant and equipment	76	5
Impairment and write-off of inventories	1	0
Impairment and write-off of receivables	1,098	302
Capitalised own costs of production overheads	19	-329
Other expenses	43	36
Total	1,633	675

Based on the decision of the Company's Managing Director, short-term trade receivables due from customers abroad were written off in 2014 in the amount of EUR 1,192 thousand.

3.7. Finance income and finance costs

EUR thousand	2014	2013
Interest income	12	11
Total finance income	12	11
Interest expenses	111	135
Impairment and write-off of loans granted	22	0
Other finance costs	75	42
Total finance costs	208	177
Financial result	-196	-166

3.8. Income tax expense

Income tax expense as disclosed in the income statement

EUR thousand	2014	2013
Current tax expense	-188	-53
Deferred tax income/expense	-43	68
Income tax expense charged against profit or loss	-231	15

Adjusting the actual and the calculated income tax expense by taking into account the effective interest rate

EUR thousand	2014	2013
Profit or loss before tax under IFRS	373	763
Income tax by applying the valid tax rate	-63	-130
Tax incentives used in the current period	112	147

Reversal of tax incentives utilised in previous years	-3	0
Change in the tax rate	0	67
Non-deductible expenses	-277	-69
Total	-231	15

The effective tax rate for 2014 was 50% compared to -2% in 2013.

Change in deferred taxes recognised in the income statement

EUR thousand	2014	2013
Provisions	-23	1
Receivables	-20	67
Change in deferred tax assets / liabilities	-43	68

3.9. Intangible assets (IA)

As at 31 December 2014, the item of long-term property rights includes software and licences. While conducting its operations, the Company uses software that is already written off, except for the MS licence whose contract was extended by the end of 2013.

Company's intangible assets comprise the investment-related part of the public-private partnership projects (projects GOŠO Koroška, Ormož, Mokronog - Trebelno, Slovenske Konjice and Sevnica). Intangible assets in course of construction include investments in the private network as part of the public-private partnership which is not yet fully activated (GOŠO Podravje).

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 GOŠO project Koroška and Ormož were activated already in 2011 and in the same year the Company started to maintain the entire network. In 2014, the Company activated the remaining portion of GOŠO projects for Sevnica, GOŠO Mokronog – Trebelno, and GOŠO Slovenske Konjice. The lag in transfer of assets to use is attributable to the gradual set-up or construction of subscriber lines.

The carrying amounts of the GOŠO projects as at the reporting date are recorded as follows: GOŠO Koroška (EUR 4,261 thousand), GOŠO Ormož (EUR 2,629 thousand), GOŠO Mokronog – Trebelno (EUR 6,475 thousand), GOŠO Slovenske Konjice (EUR 999 thousand), GOŠO Sevnica (EUR 4,789 thousand), and GOŠO Podravje (EUR 400 thousand).

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

Movements in intangible assets as at 31 December 2014

EUR thousand	Good-will	Concessions and licences	Software	Other IA - GOŠO	IA in course of construction	Total
COST						
Balance at 1 Jan 2014	0	231	59	12,232	9,338	21,860
Transfer to use	0	0	0	9,201	-9,201	0

Write-offs	0	0	-2	0	0	-2
Balance at 31 Dec 2014	0	231	57	21,433	137	21,858
ACCUMULATED AMORTISATION						
Balance at 1 Jan 2014	0	83	57	1,143	0	1,283
Write-offs	0	0	-2	0	0	-2
Amortisation	0	58	1	738	0	797
Balance at 31 Dec 2014	0	141	56	1,881	0	2,078
CARRYING AMOUNT						
Balance at 1 Jan 2014	0	148	2	11,089	9,338	20,577
Balance at 31 Dec 2014	0	90	1	19,552	137	19,780

Movements in intangible assets as at 31 December 2013

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

3.10. Property, plant and equipment (PPE)

Movements in property, plant and equipment as at 31 December 2014

EUR thousand	Buildings and land	Cable network	Other equipment	PPE in course of construction	Total
COST					
Balance at 1 Jan 2014	23	131	11,208	0	11,362
Additions	0	0	0	175	175
Transfer from assets under construction	0	0	175	-175	0
Decrease	0	0	-790	0	-790
Write-offs	0	0	-152	0	-152
Balance at 31 Dec 2014	23	131	10,441	0	10,595
ACCUMULATED DEPRECIATION					
Balance at 1 Jan 2014	4	1	8,774	0	8,779
Depreciation	1	7	762	0	770
Decrease	0	0	-588	0	-588
Write-offs	0	0	-142	0	-142
Balance at 31 Dec 2014	5	8	8,806	0	8,819
CARRYING AMOUNT					
Balance at 1 Jan 2014	19	130	2,434	0	2,583
Balance at 31 Dec 2014	18	123	1,635	0	1,776

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

EUR thousand	Buildings and land	Cable network	Other equipment	PPE in course of 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
Decrease	0	0	-206	0	-206
Write-offs	0	0	-88	0	-88
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
Increase	0	0	2	0	2
Depreciation	1	1	942	0	944
Decrease	0	0	-206	0	-206
Write-offs	0	0	-85	0	-85
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

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. Other equipment includes construction machinery, standard and special tools, goods vehicles and cars, instruments, electrical appliances and other.

Property, plant and equipment are not pledged. Company's liabilities thereunder are recorded at EUR 47 thousand.

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.

3.11. Investments in subsidiaries

In 2013, GVO d.o.o. established the subsidiary GVO GmbH with a share capital of EUR 25 thousand and headquartered in Stadtlohn, Germany. 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 3.18).

In 2014, GVO GmbH recorded a net operating result of EUR 490 thousand and equity at EUR -53 thousand as at 31 December 2014. 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	2014	2013
Loans to employees	57	107
Total other investments	57	107
Other current loans	26	25
Total current investments	26	25

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	2014
Undue	83
Overdue	0
- less than 3 months	0
- 3 to 12 months	0
- 1 to 5 years	0
- more than 5 years	0
Total	83

3.13. Deferred tax assets

EUR thousand	2014	2013
Intangible assets and property, plant and equipment	1	1
Trade receivables	169	190
Provisions	358	381
Deferred tax assets	528	572

3.14. Inventories

EUR thousand	2014	2013
Material	887	964
Total	887	964

Company's inventories include primarily material used for the telecommunications activity. In 2014, impairments of inventories were not recorded whereby write-off of obsolete inventories were which is also recognised among costs at EUR 1 thousand.

3.15. Trade and other receivables

EUR thousand	2014			2013
	Gross value	Allowances	Net value	Net value
Trade receivables	11,562	-997	10,565	9,842
Total trade receivables	11,562	-997	10,565	9,842
Advances	17	0	17	7
VAT receivables and other tax receivables	536	0	536	526
Other receivables	499	0	499	448
Total other receivables	1,052	0	1,052	981
Deferred costs	25	0	25	199
Accrued income from services already rendered	243	0	243	216
Other	1	0	1	1
Total deferred costs and accrued income	269	0	269	416
Total trade and other receivables, deferred costs and accrued income	12,883	-997	11,886	11,239

Operating receivables include 94.5% of trade receivables due from Group companies. Other receivables (EUR 499 thousand) comprise mostly other current receivables due from state and other institutions (EUR 474 thousand).

Movement of allowances for receivables

EUR thousand	2014	2013
Balance at 1 January	-1,115	-814
Allowances formed	-422	-342
Reversal of allowances	367	41
Utilisation (write-off)	173	0
Balance at 31 December	-997	-1,115

As at 31 December 2014, the maturity structure of receivables that were past due but not impaired was as follows

EUR thousand	2014		2013	
	Gross value	Allowances	Gross value	Allowance
Undue	10,542	0	8,603	0
Past due	2,072	-997	3,751	-1,115
up to 30 days	3	0	1,171	0
31 to 60 days	22	-1	468	0
61 to 90 days	15	-1	113	0
91 to 120 days	26	-4	115	-25
More than 121 days	2,006	-991	1,884	-1,090
Total receivables	12,614	-997	12,354	-1,115

3.16. Cash and cash equivalents

EUR thousand	2014	2013
Bank balances	106	94

3.17. Equity and reserves

EUR thousand	2014	2013
Called-up capital	5,758	5,758
Capital surplus	1	1
Revenue reserves	575	575
Retained earnings	9,822	9,680
Revaluation reserves for property, plant and equipment	0	1
Revaluation surplus on actuarial deficits and surpluses	-129	-21
Total	16,027	15,994

Company's equity consists of called-up capital, statutory or legal reserves, revenue reserves, retained earnings or losses from previous period, and undistributed net profit for the period as Company's retained earnings.

Company's capital surplus includes the reversal of general capital revaluation adjustment.

Revenue reserves comprise solely legal reserves in the amount of EUR 575 thousand. Legal reserves are formed until their amount inclusive of capital surplus does not achieve 10% of Company's share capital. The Company forms legal reserves up to the amount of 10% of the company's share capital. In each individual year, 5% of net profit is used for the formation of legal reserves, decreased by possible amounts used for covering retained losses in accordance with Article 64, Paragraph 3 of the Companies Act (ZGD-1).

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.

The balance and movement of equity is outlined in the statement of changes in equity.

Accumulated profit as at 31 December 2014

EUR thousand	2014	2013
Net profit for the period	142	778
+ retained earnings	9,680	8,902
Accumulated profit allocated by the General Meeting of Shareholders	9,822	9,680

3.18. Provisions

EUR thousand	31 Dec 2013	Utilisation	Reversal	Formation	Change in discount rate	31 Dec 2014
Provisions for probable payments resulting from legal actions	47	0	0	19	0	66

Provisions for retirement benefits and jubilee premiums	960	-39	0	145	75	1,141
Other provisions (disabled persons)	105	-85	0	48	0	68
Provisions for warranties	2,536	-145	-537	377		2,231
Total	3,648	-269	-537	589	75	3,506

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 approved by the Managing Director. At each year-end, the management assesses the eligibility of such provisions formed.

In 2014, 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 Germany, provisions were created for repairs in the warranty period in the amount of 5% of the value of work performed. The higher percentage rate is the result of the remote location in case of repairs, as well as related higher costs.

Provisions for retirement benefits and jubilee premiums

Provisions for retirement benefits and jubilee premiums are formed on the basis of the projected unit credit method and the actuarial calculation made by a certified actuary – the company 3sigma d.o.o.

In the reporting period, the discount rate of 2.25% was applied in the calculation; the fluctuation rate was considered in terms of the age intervals ranging from 0 to 3.5% (2013: discount rate of 4.10% and fluctuation rate ranging from 0 to 3%). Company's liabilities equal the present value of the estimated future payments.

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 2014, ten legal actions were filed against the Company in the total amount of EUR 262 thousand (2013: EUR 80 thousand). As at 31 December 2014, Company's provisions for probable payments resulting from legal actions were recorded in the amount of EUR 66 thousand. On the basis of management's estimate and legal opinions obtained, additional provisions for probable payments resulting from legal actions are required to be formed in 2014 in the amount of EUR 19 thousand.

Long-term provisions are not revalued but are amended by the end of the accounting period so that their amount equals the present value of expenditures that are according to estimates required for relevant settlements.

3.19. Current and non-current trade and other payables

EUR thousand	2014	2013
Purchase of licences – transfer from current to non-current portion	60	120

Non-current operating liabilities	60	120
Trade payables	8,471	7,502
VAT and other tax payables	112	148
Payables to employees	765	785
Payables for advances	49	43
Other payables	523	462
Total trade and other liabilities	9,920	8,940

Other payables include primarily payables relating to assignments (EUR 493 thousand), other payables resulting from decrees and decisions, and advances received.

The item of trade and other payables includes EUR 958 thousand of overdue trade payables. Company's operations increase in 2014 over the previous year, hence also the trade payables grew.

3.20. Interest-bearing borrowings

EUR thousand	2014	2013
Interest-bearing borrowings	4,700	5,000
Borrowings to Group companies	4,700	5,000
Total long-term portion	4,700	5,000
Short-term borrowings	7	2,022
Borrowings to group companies	0	2,013
Interest on borrowings	7	9
Total short-term portion	7	2,022

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	4,700	0	2,500	1.574%	31 Dec 2021	blank bills of exchange

Non-current financial liabilities include liabilities to Group companies amounting to EUR 4,700 thousand (borrowing from Telekom Slovenije, d.d.). For securing all liabilities under the long-term loan contract, the Company submitted to Telekom two blank bills of exchange with the related statement and authorisation of payment.

3.21. Accrued costs and expenses

EUR thousand	2014	2013
Accrued costs and expenses for services already rendered	276	0
Accrued costs of annual leave not taken	440	821
Other	0	189
Accrued costs and expenses	716	1,010

Short-term accrued costs at EUR 716 thousand comprise accrued costs for annual leave not taken (EUR 440 thousand) and accrued costs for other operating expenses (EUR 276 thousand) that include estimated costs for material, sub-contractors and construction works.

3.22. Commitments and contingencies

Liabilities under the operating lease

Company as the lessor

In 2014, the Company rerecorded liabilities in connection with the lease of property, plant and equipment.

The Company's income statement for 2014 includes costs for the operating lease in the amount of EUR 497 thousand (2013: EUR 366 thousand). The operating lease costs refer to the rentals for offices, cars and other items of property, plant and equipment (lease of photocopiers, printers, containers and other). The relevant contract is concluded for an indefinite period of time.

EUR thousand	2014	2013
- 1 year	497	366
- 1 to 5 years	1,988	1,464
- over 5 years	2,485	1,830
Total	4,970	3,660

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	2014	2013
- 1 year	94	266
- 1 to 5 years	0	1,064
- over 5 years	0	1,330
Total	94	2,660

Contingent liabilities

EUR thousand	2014	2013
Performance bonds and warranties for repairs	726	1,140
Guarantees for collateralising contractual liabilities	167	162
Other guarantees:	352	510
• <i>tender guarantee</i>	348	488
• <i>insuring due and unsettled liabilities</i>	4	22
Guarantees issued	1,245	1,812

Off balance sheet items comprise collaterals provided in form of bank guarantees, performance bonds and repairs during the warranty period, collateralisation of contractual liabilities and other guarantees such as tender guarantees and insurance of due and unsettled liabilities in the amount of EUR 1,245 thousand. As at 31 December 2014, off balance sheet items were recorded at EUR 1,812 thousand.

4. OTHER DISCLOSURES

4.1. Related party transactions

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

EUR	2014	2013
Managing Director (I-II 2014)	79,245	129,850
Managing Director (III-XII 2014)	95,339	0
Staff employed under individual contracts that are not subject to the tariff part of the collective agreement	246,626	376,529
Total	421,210	506,379

In 2014, 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). Supervisory Board members did not receive any earnings referring to attendance fees.

As for disclosure of information concerning groups of persons, the Company complies with provisions of Article 69 of the Companies Act (ZGD-1), which require disclosure of data concerning following groups of persons: the members of the Management Board and key personnel as well as other staff 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 2014	Repayments in 2013
Managing Director (I-II 2014)	79,245	0	0
Managing Director (III-XII 2014)	95,339	0	0
Staff employed under individual contracts that are not subject to the tariff part of the collective agreement	246,626	31	5
Total	421,210	31	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 2014 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.

Transactions with Group companies

EUR thousand	2014	2013
Receivables due from Group companies	10,157	9,131
Telekom Slovenije, d.d.	10,112	7,539
GVO, GmbH	45	1,592
Liabilities due from Group companies	9,086	11,211
Telekom Slovenije, d.d.	8,882	11,085
GVO, GmbH	191	111
Avtenta, d.o.o.	12	15
Soline, d.o.o.	1	0
Revenue on sales to Group companies	30,864	24,715
Telekom Slovenije, d.d.	29,731	22,168
GVO, GmbH	1,133	2,547
Purchase of material and services from Group companies	6,918	5,294
Telekom Slovenije, d.d.	6,733	5,234
GVO, GmbH	138	0
Avtenta, d.o.o.	46	60
Soline, d.o.o.	1	0

In 2014, GVO, d.o.o. recorded total receivables due from the parent company at EUR 10,112 thousand whereof trade and other receivables amounted to EUR 9,941 thousand and deferred costs and accrued income to EUR 171 thousand; trade and other receivables due from GVO GmbH were disclosed at EUR 45 thousand.

Company's liabilities to Group companies totalled to EUR 9,086 thousand, whereof EUR 4,700 thousand refer to the parent company for loans received, EUR 3,399 thousand to trade and other liabilities, EUR 715 thousand to provisions, EUR 60 thousand to non-current operating liabilities, and other liabilities. In relation to GVO, GmbH the Company recorded provisions in the amount of EUR 171 thousand and trade and other liabilities in the amount of EUR 20 thousand; in relation to other related companies, GVO, d.o.o. recorded solely trade and other payables.

On the basis of the Managing Director's decision, GVO, d.o.o. has in 2014 written off receivables due from GVO, GmbH in the amount of EUR 1,192 thousand.

4.2. Auditor's fee

EUR thousand	2014	2013
Audit of annual report	7	9

Total auditor's fee	7	9
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4.3. Financial risk management

The most significant among financial risks are the credit risk, the long-term and short-term liquidity risk. The Company is not exposed to the interest rate risk since it is financed only through long-term and short-term loans extended by the parent company with a fixed interest rate.

Exposure to individual risks and measures for their management is conducted and assessed on the basis of effects on cash flows and finance costs. Significant financial risks, which are assessed on an ongoing basis pursuant to the policy adopted, as well as the adequacy of measures adopted for their management are outlined below.

Credit risk

The most important source of credit risk (failure to meet obligations) refers to non-payment of liabilities by other contractual partners. Trade and other receivables account for 90% of Company's current assets. Most thereof (95%) arises from receivables due from Group companies.

Credit risk is managed primarily based on the ongoing determining of partners' credit rating and an active collection of debts. In accordance with the parent company's Rules on managing receivables, the Company demands collateralisation of receivables due from risky business partners.

The pre-court and court collection is carried out in compliance with the policy adopted. Receivables are impaired pursuant to accounting policies, whereby the ageing structure of each individual receivable is taken into account. Allowances for trade receivables are formed with respect to the credit rating of each individual customer, past experiences and expectations in the accounting period. As a result of procedures introduced, the credit risk is assessed as manageable.

Credit risk exposure is as follows:

EUR thousand	2014	2013
Non-current loans (loans to employees)	57	107
Other current loans	26	25
Trade and other receivables	11,617	10,823
<i>Whereof trade receivables from customers on the market</i>	579	954
Cash and cash equivalents	106	94
Total	11,806	11,049

Short-term and long-term liquidity risk

Liquidity risk refers to a deficit in available assets or the ability to provide foreign sources of liquidity for settling liabilities upon their maturity.

Company's cash flow improved in 2014, hence the liquidity risk was at the year-end assessed as low.

Short-term liquidity risk is managed by the Company on the basis of a regular cash flow balancing and planning. Liquidity is monitored on a daily basis and planned on a monthly, 2-months and annual basis (i.e. daily monitoring with a 2-month daily forecast and a 12-month forecast by month), whereby possible deficits in funds are timely detected and thus used as the basis for defining relevant measures. In order to cover deficits, the Company uses the liquidity reserve in form of a short-term revolving loan extended by the parent company.

Also the long-term liquidity risk is assessed as low, which is attributable to a fairly foreseeable cash flow,

adequate capital structure and an active management of working capital.

Non-current financial liabilities refer to the loan from Group companies that matures as at 31 December 2021.

The maturity structure of Company's financial liabilities as at 31 December 2014 and 31 December 2013 based on contractual undiscounted payments

EUR thousand	Overdue	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31 Dec 2014							
Loans and borrowings	0	0	7	0	2,200	2,500	4,707
Anticipated interest on loans	0	0	25	57	271	64	417
Trade payables and other current operating liabilities	958	800	5,853	2,309	60	0	9,980
31 Dec 2013							
Loans and borrowings	0	0	9	2,013	1,500	3,500	7,022
Anticipated interest on loans	0	0	16	92	290	125	523
Trade payables and other current operating liabilities	788	975	5,553	1,624	120	0	9,060

Capital management

The primary objective of the Company's capital management is to ensure that it maintains strong credit rating and capital adequacy.

The Company monitors capital by using a gearing ratio, which is calculated by dividing (net) debt with equity and the ratio of equity share in the balance sheet total. 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.

The Company discloses a relatively low indebtedness, which indicates a good platform for achieving the appropriate credit rating.

EUR thousand	2014	2013
Interest-bearing borrowings and other financial liabilities	4,707	7,022
Less current investments and cash with short-term deposits	-132	-119
Net liabilities	4,575	6,903
Equity	16,027	15,994
Equity and net debt	20,602	22,897
Debt/equity ratio	22.2%	30.1%

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.

5. 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.

6. INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Shareholder 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 2014, 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 2014, 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.

Katarina Sitar Šuštar
Certified Auditor
Partner

Ljubljana, 6 March 2015

KPMG Slovenija, d.o.o.

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.