CONSOLIDATED ANNUAL REPORT

2009

AKTON GROUP

CONTENTS:

1 INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Akton d.o.o., Ljubljana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Group Akton, Ljubljana, which comprise the consolidated balance sheet as at December 31, 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Group Akton, Ljubljana, as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

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

The business report is consistent with the audited consolidated financial statements.

Ljubljana, 28 February 2010

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Janez Hostnik
Certified Auditor

2 MANAGEMENT REPORT

2.1. PERFORMANCE RESULTS OF THE AKTON GROUP

The Group revenues

In 2009, the Akton Group generated net sales of 40,336,116 EUR, representing an increase of 8.5% compared to the year 2008. During the year under review, the Group's performance was within the set plan.

The major contribution to the growth in sales was provided by telecommunications services in the inter-operator segment, rendered by the parent company in Ljubljana. The Group agreed over 20 new contracts for interconnection of networks (wholesale of voice services with local operators, leading regional and global operators from the European area, USA, Middle East and Africa. In total, at the year-end, there were 112 active connections. In data services segment, the Group successfully realised 14 new IPLC connections. The Group provides international connections for the most demanding user of international data cable lines such as foreign embassies, bank systems and other international institutions. In total, at the end of 2009, the Group managed 96 data links: 44 IPLC and 52 IP connections.

The Group expenses

The operating expenses reached EUR 39,999,578, with costs of telecommunications services and write-offs accounting for the highest share; of these, impairment of goodwill in the amount of EUR 650,000 represents the major item. In the interim period, operational costs rose in line with increased activity in all business segments. As a result of the global economic crisis, the financial year 2009 was rather challenging for the Group as in order to meet the plans, more funds were required to achieve the set objectives. Additional funds were used for staff training, to establish direct contact with business partners at business conferences abroad, additional investments were made to improve network reliability and introduce new billing system. Legal costs and costs of other services also rose due to severe breaches of legislation by third parties. In the next financial year the Group will continue to ensure cost optimization in line with the realized returns.

Employees

As at 1 January 2009, the Akton Group employed 38 staff. There were no changes in the organisational framework of the Group. Staff fluctuation during the year was primarily the result of our efforts to strengthen the sales division with the primary focus on our data services segment, We are looking for young and talented people with experience in the telecommunications sector. As at 31 December 2009, the Group employed 38 staff.

The Group profit

In the financial year 2009, the Group generated EUR 110,671 of net profit. Losses of EUR 2,958,111 were brought forward from previous periods. At the year-end, accumulated losses amounted to EUR 2,847,440.

In financial terms, the Group performed very successfully. Operating and financial liabilities were settled on a regular basis, and the majority of receivables were successfully collected. The Group does business with first-class business partners where financial discipline is a prerequisite for a long and successful cooperation. The Akton Group has proven again and again to be a reliable partner and the best among the middle-sized and large operators in the region.

In 2009, we invested EUR 66,977 in property, plant and equipment. Majority of the amount was invested in expansion of existing voice and data capacities. In addition, EUR 30,892 was invested in intangible property. In 2009, the Group companies funded current operations and investments from the funds generated through their regular operations.

In the financial year 2009, the Group increased the share capital of the following two subsidiaries:

Akt.online d.o.o., Sarajevo (an increase of EUR 368.000), and
Akton d.o.o.e.l., Skopje (an increase of EUR 24,490.74)

2.2. PRODUCTS AND SERVICES

2.2.1. Inter-operator sale of voice services

The Akton Group is present on two largest Central European intersections: PoP Vienna and PoP Frankfurt, which allows us to set up international network connections (TDM, IP) with the major European and global operators. Closer at home, we are linked with national operators of fixed and mobile communications in the Adriatic region.

The Akton Group is the largest alternative provider of voice services in the region with 351 million terminated minutes annually.

2.2.2. Origin of calls

In 2009, our subsidiary in Serbia was issued a licence by the state Agency and began providing VoiP services on the market. Initial operational growth is satisfactory and the Serbian market represents the highest potential among all the markets in the region. In Macedonia and Croatia our subsidiaries continued their successful provision of international calls for business users.

2.2.3. Data services, leased lines and IP

In the 2009 financial year, the Group became the leading integrator of technologically most advances connections and applications in the Adriatic region, whilst remaining loyal to its main objective: to be the »One-Stop-Shop« service provider for international business partners in the whole of the region. The Group successfully strengthened its cooperation with local operators to allow its customers access to all locations in the region.

In recent years, the Group has developed into preferred provider of IPLC services in the Adriatic region of a large number of operators and business users. At the end of 2009, to the list of countries where the Group already provides data services (Slovenia, Croatia, Bosnia and Herzegovina and Macedonia), we added two other countries i.e. Monte Negro and Albania, thus expanding our operations to the whole of the Adriatic region. In line with the increased demands, in 2009 the Group upgraded its network capacities in the direction towards Frankfurt and, through its optical backbone network, also to Sarajevo and Skopje.

In the international data communications market, in the first half of 2009, the scope of the Group’s operations rose by 30%, but slowed down in the second half of the year as a result of rationalization of private data connections of international corporations and institutions. Towards the end of 2009 we again noted an increase in the activity. The Group expects that in 2010, international corporations who are present in the region will increasingly focus on information projects that were, as a result of the crisis, postponed. At the same time the trend of rationalization of private leased lines will reflect in an increased scope of MPLS connections. Already in 2009, the Group successfully realized some NNI connections with some of the largest global operators for the needs of MPLS.

This development presents a major opportunity for the Group who in 2009 successfully implemented its MPLS network throughout the region. This latest technology will allow the Group to improve its backbone network and, along with it, increase security, ensure faster routing and better use of the available capacities. The Group offers to its customers standardized L3 MPLS connections for Intranet/Internet or Common Service VPN. Our own backbone network also supports CsC (Carrier supporting Carrier) connections and provides QoS (Quality of Service) parameters, which are individually specified in the SLA (Service Level Agreement) to ensure the level of quality agreed. Customer are able to distribute bandwidth among various applications and protocols such as VoIP, video conference, ERP, SIP, Citrix, X-Windows, PC-Anywhere, Netshow, Netbios, NFS, HTTP, Internet access, e-mail and much more.

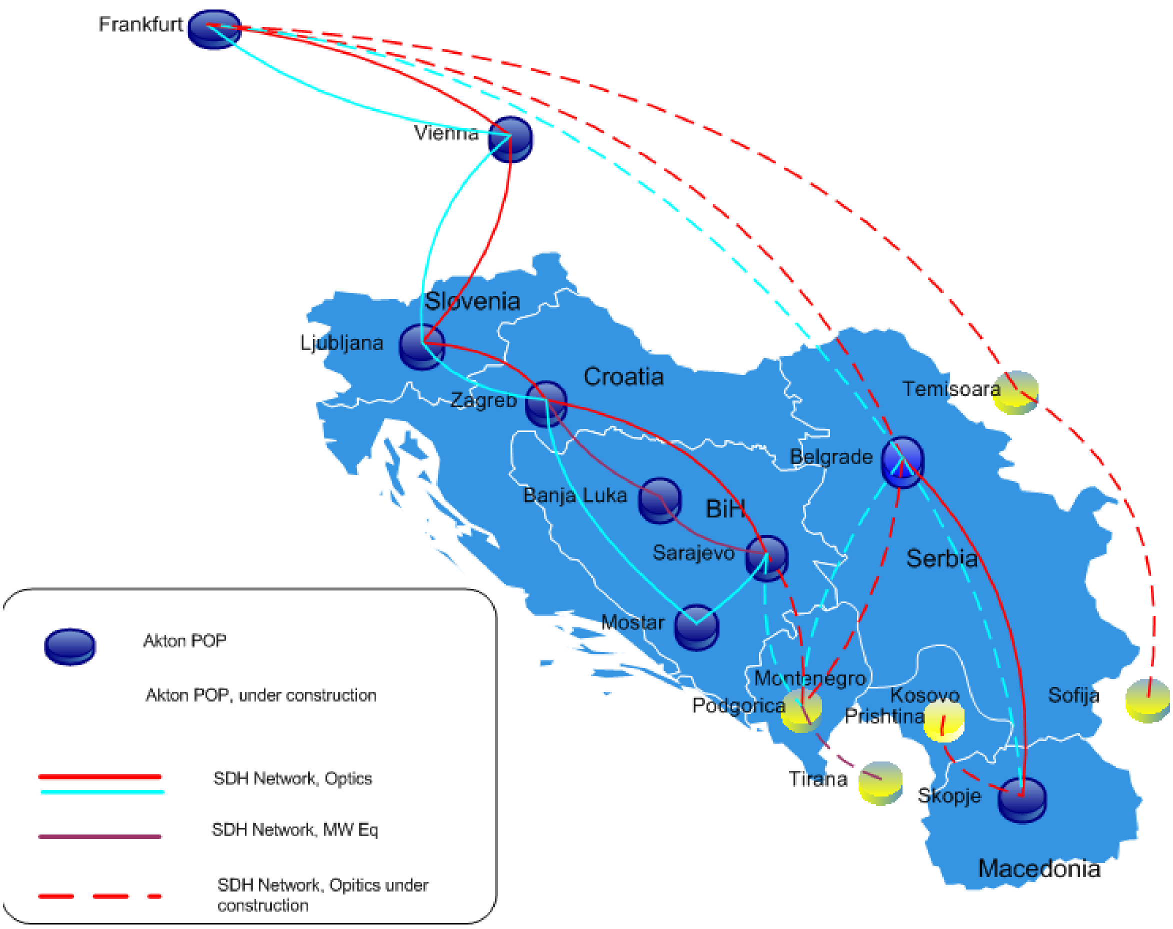

Figure 1: The Akton Group Backbone network in the region

In the first half of 2010, the Group will implement secure backbone network to Belgrade to become the first services provider to connect all the capital cities in the region into a single backbone network. Further, in 2010 the Group will become the GE provider in the region.

2.3. STRATEGY

In the financial year 2009, the Group successfully pursued its strategic objectives and set out new long-term goals and strategic priorities for the period 2010-2014.

Results achieved in recent years demonstrate without a doubt that the Akton Group had followed its ambitious goals and had achieved excellent results in highly competitive markets. Our aim is to expand our success in international market by providing services to the largest companies in the region. International banking institutions and insurance undertakings, government institutions and trading companies represent target groups that are already beginning to emerge as users of our services.

The investments, which we plan in the future, will allow the Group to implement new connections in international hubs and to realize some key projects to ensure our future growth and development.

Key priorities of the Group in the period 2010-2014 are the following:

- Penetrating new markets
- Competitive offerings
- Ensure financial stability
- Customer focus
- One-Stop-Shop
- Searching for new niche
- Increase synergy between regional subsidiaries

The Akton Group is developing into the best provider of telecommunications services whose objective is to connect the region with the global world of telecommunications.

2.4. EXPOSURE TO RISKS AND RISK MANAGEMENT

Risk management

We are aware of a number of risks that are present in the business environment and for this reason an integrated approach to risk management is prerequisite for regular monitoring of risks and effective risk management. Risk management is involved in all areas of our business activities.

2.4.1. Currency risk

Currency risk is the risk of fluctuating value of financial instruments as a result of changes in foreign exchange rates.

Currency risk is a significant category and as such is being monitored particularly with regards to investments as the risk can neutralize capital gains. Currency risk exists in terms of individual countries and as part of the country risk management, we also monitor past and expected currency fluctuation on our target markets.

2.4.2. Interest and credit risk

Interest risk is the risk of the negative impact of changes in market interest rates on the value of financial instruments.

Credit risk is the risk that party to the contract on the financial instrument fails to settle its obligations thus causing the Company to incur financial loss.

In terms of securing funds for our own investing activities, interest rate risk is the key risk, which is minimized through borrowing funds at a fixed rate of interest to prevent any possible increase in fixed interest costs in the event of an increase in the reference rates (EURIBOR). This means that interest rate risk is transferred to the bank whilst at the same time, in view of a high competition in the banking sector, we are able to optimize borrowing terms. Should this no longer be possible, we intend to hedge interest risk with derivatives.

2.4.3. Liquidity risk

Liquidity risk is the risk of a shortage of available financial assets and consequently the Company's inability to settle its obligations within contractual terms. The Company is doing its utmost to ensure the most efficient use of its assets and is managing liquidity through regular planning of cash inflows and outflows.

Our interest rate policy also affects and ensures regulation of liquidity risks as we are able to determine monthly outflow of interest costs, which are our major cost category. Similarly, we also monitor other liquidity categories on a daily basis, which allows us to make additional projections for the future. Through daily monitoring of liquidity needs we try to optimize allocation of funds per individual companies and in future we plan a transition to cash-management services. The available revolving credit provides us with sufficient security in terms of our needs and we do not fear any major liquidity issues in the future.

2.5. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date which would affect the financial statements for the year ended 31 December 2009.

2.6. RELATED PARTY TRANSACTIONS

In all transactions with the parent company, Akton had obtained suitable payments and has not suffered any loss as a result of transactions carried out or as a result of any actions that were either performed or suspended in given circumstances.

2.7. STATEMENT OF RESPNSIBILITY OF THE MAMAGEMENT BOARD

The Management Board approved the financial statements on 23 February 2010.

The Management Board is responsible for the preparation of the annual report that gives a true and fair presentation of the financial position of the Company and of its financial performance for the year ended 31 December 2009.

The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and due diligence of a good manager. The Management Board also confirms that the financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the current legislation and Slovene accounting standards.

The Management Board is also responsible for the appropriate accounting system and adoption of measures to secure the assets, and to prevent and detect fraud and other irregularities and/or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which tax assessment was due, carry out the audit of the company operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that may result in a significant tax liability.

Director:	Procurator:
Igor Košir	Miha Novak

Ljubljana, 24 February 2009

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

3.1. CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009

			In EUR
	Notes	31.12.2009	31.12.2008
Assets		13,986,185	15,386,746
A. Non-current assets		7,993,349	9,018,475
I. Intangible assets and long-term deferred costs	1	6,323,226	6,954,595
1. Concessions, patents, and licences		40,968	20,070
2. Goodwill		6,278,670	6,928,670
3. Other long-term deferred costs		3,588	5,855
II. Property, plant and equipment	2	1,367,128	1,725,687
1. Buildings		0	4,476
2. Manufacturing plant and equipment		0	0
3. Other plant and equipment		1,330,623	1,685,893
4. Property, plant and equipment under construction		36,505	35,317
III. Investment property		0	0
IV. Long-term financial assets		0	0
1. Long-term loans		0	0
b) Other long-term loans		0	0
V. Long-term operating receivables		0	0
VI. Deferred tax assets	3	302,995	338,193
B. Current assets		5,937,995	6,331,303
I. Assets (disposal groups) held for sale		0	0
II. Inventories	4	134,564	146,924
III. Short-term investments		146	2,553
1. Short-term loans		146	2,553
b) Short-term loans to others		146	2,553
IV. Short-term operating receivables	5	5,722,634	6,075,348
1. Short-term trade receivables		4,613,548	5,582,011
2. Short-term operating receivables due from others		1,109,086	493,337
V. Cash		80,652	106,478
C. Short-term deferred costs and accrued revenue		54,841	36,969
Off balance sheet records	10	3,761,759	1,585,119

	Notes	31.12.2009	31.12.2008
			In EUR
Equity and liabilities		13,986,185	15,386,746
A. Equity	6	4,503,816	4,398,879
I. Called-up capital		4,915,686	4,915,686
1. Share capital		4,915,686	4,915,686
II. Capital surplus		2,434,649	2,434,649
III. Revenue reserves		6,621	7,659
1. Legal reserves		6,621	7,659
IV. Revaluation surplus		0	0
V. Retained earnings		-2,958,111	-3,015,971
VI. Net profit for the year		110,671	57,860
VII. Consolidation reserve		-5,700	-1,004
B. Provisions and long-term accrued costs and deferred revenue		0	0
C. Long-term liabilities		721,049	3,550,016
I. Long-term financial liabilities		706,023	3,550,016
1. Long-term financial liabilities to banks		0	2,862,500
2. Other long-term financial liabilities	7	706,023	687,516
II. Long-term operating liabilities		15,026	0
1. Long-term operating liabilities from advances		15,026	0
III. Deferred tax liabilities		0	0
D. Short-term liabilities		8,690,004	6,845,185
I. Liabilities of disposal groups		0	0
II. Short-term financial liabilities	8	3,181,770	1,492,828
1. Short-term financial liabilities to banks		2,987,793	917,545
2. Other short-term financial liabilities		193,978	575,283
III. Short-term operating liabilities	9	5,508,233	5,352,357
1. Short-term supplier payables		4,544,840	5,216,050
2. Short-term operating liabilities from advances		1,505	463
3. Other short-term operating liabilities		961,889	135,843
E. Short-term accrued costs and deferred revenue		71,316	592,666
Off balance sheet records	10	3,761,759	1,585,119

3.2. CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

In EUR

	Notes	2009	2008
1. Net sales	11	40,336,116	37,161,661
a) Sales on the local market		3,749,469	6,008,045
b) Sales on foreign markets		36,586,647	31,153,616
2. Change in the value of inventory of products and work in progress		0	0
3. Capitalized own products and services		0	0
4. Other operating revenue (incl. revaluation operating revenue)		8,226	913
5. Costs of goods, materials and services	12	37,584,903	34,348,279
a) Costs of goods and materials sold and costs of materials used		56,627	131,559
b) Costs of services		37,528,276	34,216,721
6. Labour costs	12	1,333,373	1,161,059
a) Payroll costs		992,670	819,341
b) Social security costs (separate disclosure of retirement insurance costs)		229,600	207,610
- retirement insurance costs		131,440	111,064
- other social insurance costs		98,160	96,546
c) Other costs of labour		111,103	134,108
7. Write-downs	12	1,064,205	952,269
a) Amortization and depreciation expense		392,095	470,288
b) Reval. operating expenses assoc. with intangibles and property, plant and equipment		672,110	467,320
c) Revaluation operating expenses associated with current assets		0	14,661
8. Other operating expenses	12	17,097	127,376
OPERATING PROFIT		344,763	573,590
9. Financial revenue from shares and interests		0	0
a) Financial revenue from other shares and interests		0	0
10. Financial revenue from loans		551	6,015
a) Financial revenue from loans to others		551	6,015
11. Financial revenue from operating receivables		4,504	17,053
a) Financial revenue from operating receivables due from others		4,504	17,053
12. Financial expenses for investment impairment and write-downs		0	0
13. Financial expenses from financial liabilities		186,568	418,884
a) Financial expenses from bank loans	13	152,773	327,400
b) Financial expenses from other financial liabilities		33,795	91,484
14. Financial expenses from operating liabilities		17,396	11,279
a) Financial expenses from supplier payables and bills payable		4,605	1,622
b) Financial expenses from other operating liabilities		12,792	9,657
PROFIT FROM ORDINARY ACTIVITIES		145,854	166,496
15. Other revenue		10,029	4,719
16. Other expenses		9,236	10,272
TOTAL PROFIT		146,647	160,942
17. Income tax		779	0
18. Deferred tax		35,197	-103,082
19. Net profit for the year		110,671	57,860

3.3. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

		In EUR
	2009	2008
A. Cash flows from operating activities		
a) Items derived from the income statement	1,336,464	1,353,017
Operating revenue (except revaluation) and financial revenue from operating receivables	40,358,875	37,184,346
Operating expenses excluding depreciation or amortization (except revaluation) and financial expenses from operating liabilities	-38,967,261	-35,728,247
Income tax and other taxes not included in operating expenses	-35,976	-103,082
b) Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	31,952	-7,026
Opening less closing operating receivables	352,714	-1,971,418
Opening less closing deferred costs and accrued revenue	-17,872	-18,624
Opening less closing deferred tax assets	35,198	103,082
Opening less closing assets (disposal groups) held for sale	0	0
Opening less closing inventories	12,360	-16,032
Closing less opening operating liabilities	170,902	1,322,917
Closing less opening accrued costs and deferred revenue, and provisions	-521,350	573,049
Closing less opening deferred tax liabilities	0	0
c) Net cash from operating activities (a+b)	1,368,416	1,345,991
B. Cash flows from investing activities		
a) Cash receipts from investing activities	4,962	12,191
Interest and dividends received from investing activities	2,422	6,015
Cash receipts from disposal of intangible assets	0	6,176
Cash receipts from disposal of property, plant and equipment	0	0
Cash receipts from disposal of investment property	0	0
Cash receipts from disposal of long-term investments	0	0
Cash receipts from disposal of short-term investments	2,504	0
b) Cash disbursements from investing activities	-97,869	-715,131
Cash disbursements to acquire intangible assets	-30,892	-303,433
Cash disbursements to acquire property, plant and equipment	-66,977	0
Cash disbursements to acquire investment property	0	0
Cash disbursements to acquire long-term investments	0	4,374
Cash disbursements to acquire short-term investments	0	-416,072
c) Net cash from investing activities (a+b)	-92,943	-702,940
C. Cash flows from financing activities		
a) Cash receipts from financing activities	12,509,303	1,559,975
Cash proceeds from paid-in capital	0	1,119,440
Cash proceeds from increase in long-term financial liabilities	0	0
Cash proceeds from increase in short-term financial liabilities	12,509,303	440,534
b) Cash disbursements from financing activities	-13,829,776	-2,178,576
Interest paid on financing activities	-159,273	0
Cash repayments of equity	0	0
Cash repayments of long-term financial liabilities	-800,000	-2,178,576
Cash repayments of short-term financial liabilities	-12,870,503	0
Dividends and other profit shares paid	0	0
c) Net cash from financing activities (a+b)	-1,320,473	-618,601
D. Closing balance of cash	80,652	106,478
Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)	-25,826	24,450
Opening balance of cash	106,478	82,027

3.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for the year ended 31 December 2009:

In EUR

	Share capital	Capital surplus	Legal reserves	Retained earnings	Net profit or loss for the year	Consolidation reserve	Total
A. Opening balance for the period	4,915,686	2,434,649	7,659	-3,015,971	57,860	-1,004	4,398,879
B. Movements to equity	0	0	0	0	110,671	0	110,671
a) Payment of capital or capital surplus	0	0	0	0	0	0	0
b) Net profit for the year	0	0	0	0	110,671	0	110,671
c) Other increases in equity	0	0	0	0	0	0	0
C. Movements within equity	0	0	0	57,860	-57,860	0	0
a) Net profit or loss for the year	0	0	0	57,860	-57,860	0	0
D. Movements from equity	0	0	-1,038	0	0	-4,696	-5,734
a) Other decreases in equity	0	0	-1,038	0	0	-4,696	-5,734
E. Closing balance for the period	4,915,686	2,434,649	6,621	-2,958,111	110,671	-5,700	4,503,816

Statement of changes in equity for the year ended 31 December 2008:

In EUR

	Share capital	Capital surplus	Legal reserves	Retained earnings	Net profit or loss for the year	Consolidation reserve	Total
A. Opening balance for the period	3,815,686	2,434,649	7,659	-1,415,969	-1,617,334	-3,113	3,221,578
B. Movements to equity	1,100,000	0	0	17,332	57,860	2,109	1,177,301
a) Payment of capital or capital surplus	1,100,000	0	0	0	0	0	1,100,000
b) Net profit for the year	0	0	0	0	57,860	0	57,860
c) Other increases in equity	0	0	0	17,332	0	2,109	19,441
C. Movements within equity	0	0	0	-1,617,334	1,617,334	0	0
a) Net profit or loss for the year	0	0	0	-1,617,334	1,617,334	0	0
D. Movements from equity	0	0	0	0	0	0	0
a) Other decreases in equity	0	0	0	0	0		0
E. Closing balance for the period	4,915,686	2,434,649	7,659	-3,015,971	57,860	-1,004	4,398,879

4. NOTES TO THE FINANCIAL STATEMENTS

4.1. COMPANY PROFILE

Firm:	Akton Telekomunikacijski inženiring d.o.o.
Abbreviated title:	Akton d.o.o.
Head office:	Dunajska cesta 63, Ljubljana
Legal form:	Limited liability company
Incorporated:	on 22 May 1990, registration number 1/06892/00
Principal activity:	Activity code 61.900, Other telecommunications
Share capital:	EUR 4,915,685.55
Owner:	ATEL EUROPE B.V., Koningslaan 17, Amsterdam, the Netherlands is the sole owner of the Company
Management Board:	Igor Košir, Director Miha Novak, Procurator
Related parties:	AKT.ONLINE d.o.o. Bosnia and Herzegovina, AKTON d.o.o.e.l. Macedonia, AKTON d.o.o. Serbia, AKTON d.o.o. Croatia
Financial year:	Financial year covers the same period as the calendar year.

The following companies in the Akton Group are included in consolidation:

Company	Head office	Ownership share in 2009	Ownership share in 2008
AKT.ONLINE d.o.o.	Fra Anđela Zvizdovića 1, Sarajevo, BIH	100%	100%
AKTON d.o.o.e.l.	Belasica 2, Skopje, Macedonia	100%	100%
AKTON d.o.o., Beograd	Bulevar Mihajla Pupina 6/16, Beograd, Serbia	100%	100%
AKTON d.o.o.	Bani 75, Buzin, Zagreb, Croatia	100%	100%

Average number of employees by educational level:

Educational level / year	2009	2008
Level 5	17	20
Level 6	4	0
Level 7	17	18
Total	38	38

4.2. SUMMARIZED ACCOUNTING POLICIES AND ASSUMPTIONS

The financial statements are compiled under Slovene Accounting Standards, in accordance with the Companies Act, and in consideration of the two fundamental accounting assumptions of accrual and going concern. The qualitative characteristics of the financial statements include understandability, relevance, reliability and comparability. The accounting policies used in the previous year were also applied in the financial year under review.

Fundamental financial statements of the Company comprise the following:
- Balance sheet, which is a presentation of assets, equity and liabilities at the end of the financial year,
- Income statement, which is a presentation of revenue, expenses and profit or loss for the financial year,
- Cash flow statement, showing changes in monetary items,
- Statement of changes in equity, showing changes in equity components that occurred during the financial year,
- Statement of retained earnings/accumulated loss.

The balance sheet format is determined in SAS 24.4. Items that are not applicable to the Company are not presented. Items specified in SAS 24.4 are further broken-down.

The income statement format, selected by the Company is specified in SAS 25.6 as format I. Items that are not applicable to the Company, are not presented.

The cash flow statement format, selected by the Company, is specified in SAS 26.2 as format II, compiled under the indirect method and in a report form (SAS 26.4 and SAS 26.9). Data is derived from the balance sheet, income statement and other documents of the companies included in the Group.

The statement of changes in equity format, selected by the Company, is specified SAS 27.2 as format I, in a form of a composite table of changes in all components of equity (SAS 27.3.b). A special supplement to the statement of changes in equity is the statement of retained earnings or accumulated loss (SAS 27.9).

Exchange rate and translation into the local currency:
Foreign currency transactions were translated into euro at the reference rate of the European Central Bank on the transaction date. On the balance sheet date, assets and liabilities denominated in foreign currency were translated at the reference rate of the European Central Bank.

Rules and procedures, applied by the management board in the compilation and presentation of the financial statements, are in accordance with SAS. As the selection of some of the accounting policies is subject to the entity's discretion, the management board is free to select one of the available accounting policies. The accounting policies used by the Company in the measurement of individual financial statement items, are as follows (summarized):

- Intangible assets and property, plant and equipment: assets that qualify for recognition are initially measured at cost, comprising purchase price, import duty and non-refundable purchase taxes as well as costs attributed to making the assets ready for their intended use. Items of property, plant and equipment are depreciated individually under the straight-line depreciation method. Goodwill is measured under the revaluation model and is not amortized; in the event of revaluation, goodwill is impaired in accordance with the valuation.

- Long-term financial assets are initially measured at cost. Initial costs are further increased by costs of transaction that arise directly from the acquisition or issue of the financial asset. Non-marketable financial assets are classified as available-for-sale and measured at cost. Marketable financial assets are classified as available-for-sale and measured at fair value through equity.

- Inventory of merchandise is measured at cost. Inventory consumption is accounted for under the FIFO method. Net realizable value of inventory of merchandise, its movement, and use is reviewed by the Company on a yearly basis.

- On initial recognition, receivables of all categories are recognized at amounts reported in the relevant documents under the assumption that they will be recovered. Impairment loss on receivables is recognized when their carrying amount is higher than the fair value. As a result of impairment reversal, receivables are revalued when their fair value or realizable value exceed their carrying amount.

– Short-term financial assets are initially measured at fair value. Initial fair value of financial assets is increased by the cost of transaction that arise directly from the acquisition or issue of the financial assets (except for assets measured at fair value through profit or loss). All equity investments of the Company except investments in subsidiaries, whose securities are not quoted on a stock exchange, are classified as available-for-sale. Fair value changes of investments in securities are recognized if their demonstrated fair value, i.e. the price published on an active stock exchange market differs from their carrying amount. If the published price exceeds the carrying amount, the difference is recognized as a revaluation surplus, while if the price is below the carrying amount, the difference is recognized as a reduction of the relevant revaluation surplus.

– Short-term deferrals and accruals are receivables and other assets and liabilities expected to arise within one year; their incurrence is probable, whereas their amount is reliably estimated. Short-term deferrals and accruals comprise short-term deferred costs or short-term deferred expenses, and short-term accrued revenue that are carried separately and classified into major categories. Accrued costs and deferred revenue comprise short-term accrued costs or short-term accrued expenses and short-term deferred revenue that are carried separately and classified into major categories.

– Total equity of the Company comprises called-up capital, capital surplus, revenue reserves, retained earnings or accumulated loss brought forward, revaluation surplus, and undistributed net profit or unsettled net loss of the financial year.

– Provisions are made for obligations that arise from obligating past events and are expected to be settled in the period of more than one year and a reliable estimate can be made of the amount of the obligations. At the end of the accounting period, the amount of provisions is equal to the present value of costs which are expected to be required to settle the obligation.

– Long-term liabilities: non-interest bearing borrowings are recognized in the balance sheet at a discounted amount using the average rate of interest achieved by the Company in comparable transactions. Interest bearing borrowings whose actual or agreed rate of interest does not differ significantly from the effective rate of interest, are recognized in the balance sheet at initially recognized amount, decreased by any repaid amounts.

– Short-term liabilities are classified as financial or operating. Short-term financial liabilities are short-term loans received on the basis of loan contracts and short-term securities issued, except cheques that are considered as a deduction item within monetary terms. Short-term operating liabilities are short-term supplier credits for goods or services purchased, payables to employees for their work performed, short-term liabilities to providers of funds arising from accrued interest and similar items, short-term liabilities to the state arising from taxes, including the value added tax payable, and short-term liabilities associated with the distribution of profit or loss. A specific class of short-term operating liabilities are liabilities to customers arising from advances and short-term collaterals received.

– Provisions and long-term accrued costs and deferred revenue. Provisions are recognized and charged against the relevant costs or expenses when all the conditions are fulfilled in accordance with SAS 10.6. Provisions are made on the basis of a resolution of the management board indicating the purpose of provisions, the amount, the type of costs or expenses to which provisions are charged, and maturity or expected settlement date of the obligations (except for provisions made for guarantees). Long-term accrued costs and deferred revenue are recognized if they will cover costs or expenses expected to arise in a period of more than one year.

– Revenue comprises operating revenue, financial revenue and other revenue. Operating and financial revenue are ordinary revenue. Operating revenue comprises revenue from sales and other operating revenue associated with products and services. Financial revenue is revenue generated by investing activities. Financial revenue arises in relation to investments as well as in association with receivables.

– Expenses are classified into operating expenses, financial expenses and other expenses. Operating expenses and financial expenses are ordinary expenses. Operating expenses are in principle equal to the calculated cost of the accounting period. Financial expenses include financing expenses and investment expenses. The former primarily comprise interest paid, while the latter predominantly have the nature of revaluation financial expenses.

- Income tax: current tax liabilities are measured on the basis of tax rates effective on the balance sheet date.

- Deferred tax assets and liabilities are recognized for all taxable temporary differences under the balance sheet liability method. Deferred tax assets are also recognized for unused tax losses and non-utilized tax credits carried forward to the next period providing that in future periods taxable profits will be available against which these unused tax losses and tax credits can be utilized. On each balance sheet date, deferred tax assets are reassessed and impaired by the amount which the Company no longer expects that in future the relevant taxable profits will be available against which these unused tax losses may be utilized. Deferred tax assets and liabilities are measured on the basis of tax rates expected to be used when the asset is realized or the liability is settled, considering tax rates and tax legislation enacted on the balance sheet date. Deferred tax assets and liabilities are recognized directly in equity when the tax relates to items that are recognized in equity.

14. Events after the balance sheet date

No events have occurred after the balance sheet date that could affect the 2009 financial statements and therefore require additional procedures to determine whether those events were accurately presented in these financial statements.

Accountant:	Director:	Procurator:
Milanka Marija Kastelic	Igor Košir	Miha Novak

Ljubljana, 24 February 2010