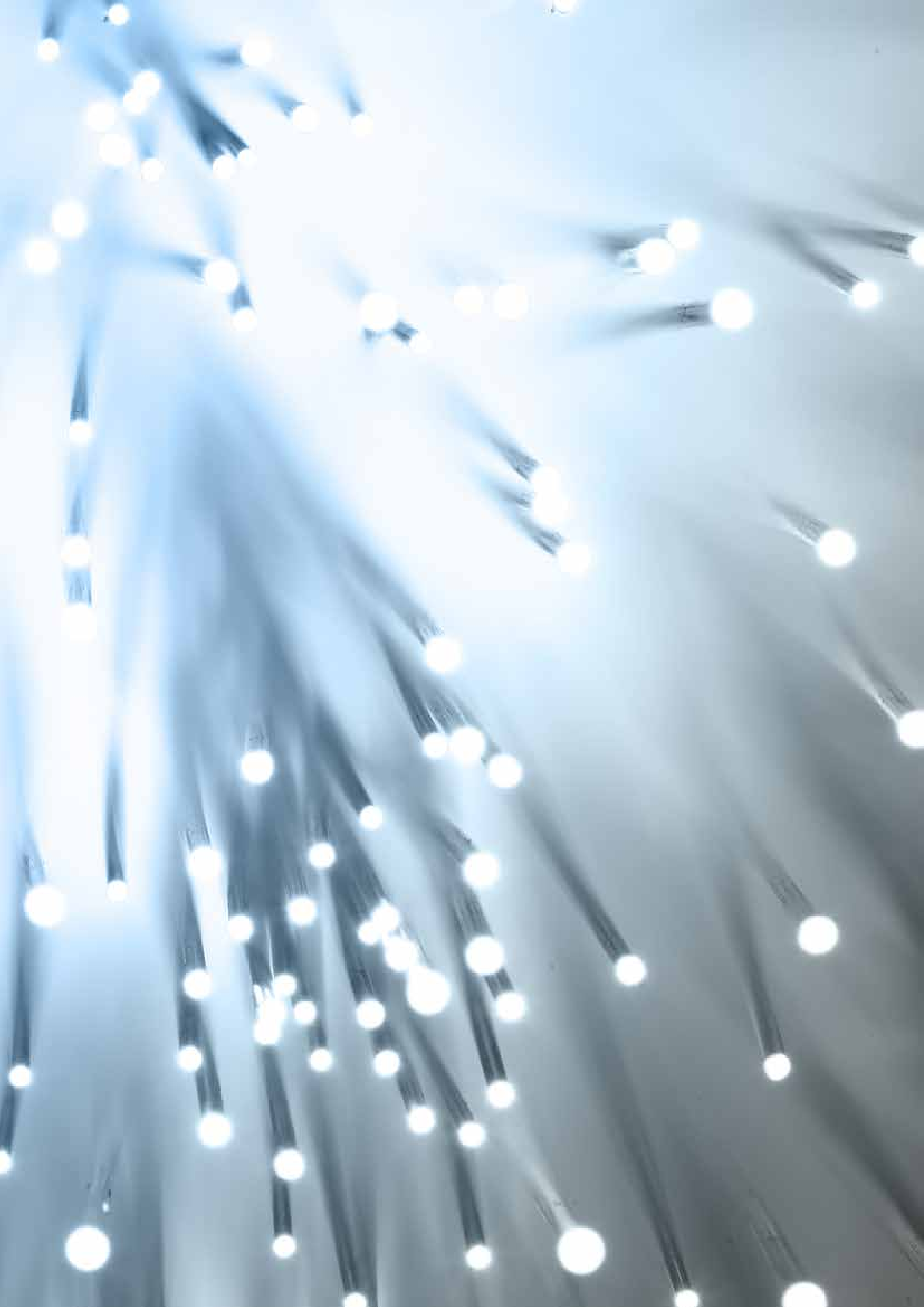
Consolidated Annual Report **2016**

AKTON GROUP

Akton communications

CONTENTS:

1.	**BUSINESS REPORT**	**5**
1.1	PERFORMANCE RESULTS OF THE AKTON GROUP	5
1.2	PRODUCTS AND SERVICES	10
1.2.1	-Inter-operator sale of voice services	10
1.2.2	-Origin of calls	11
1.2.3	-SMS	11
1.2.4	-Data services	11
1.3	STRATEGY	13
1.4	CORPORATE RESPONSIBILITY	13
1.5	EXPOSURE TO RISK AND RISK MANAGEMENT	15
1.5.1	-Currency risk	16
1.5.2	-Interest and credit risk	16
1.5.3	-Liquidity risk	16
1.6	SUBSEQUENT EVENTS	17
1.7	RELATED PARTY TRANSACTIONS	17
1.8	**CONSOLIDATED FINANCIAL STATEMENTS FY 2016**	**18**
1.9	CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016	18
1.10	CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 December 2016	19
1.11	CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME year ended 31 December 2016	19
1.12	CONSOLIDATED CASH FLOW STATEMENT year ended 31 December 2016	20
1.13	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	22
2	**APPENDIX TO CONSOLIDATED FINANCIAL STATEMENTS**	**24**
2.1	PROFILE OF THE GROUP	24
2.2	SUMMARY ACCOUNTING POLICIES AND ASSUMPTIONS	26
2.3	NOTES TO THE FINANCIAL STATEMENTS	40
2.4	STATEMENT OF MANAGEMENT RESPONSIBILITIES	58
3	**INDEPENDENT AUDITOR'S REPORT**	**59**



1. Business Report

1.1 Performance Results of the Akton Group

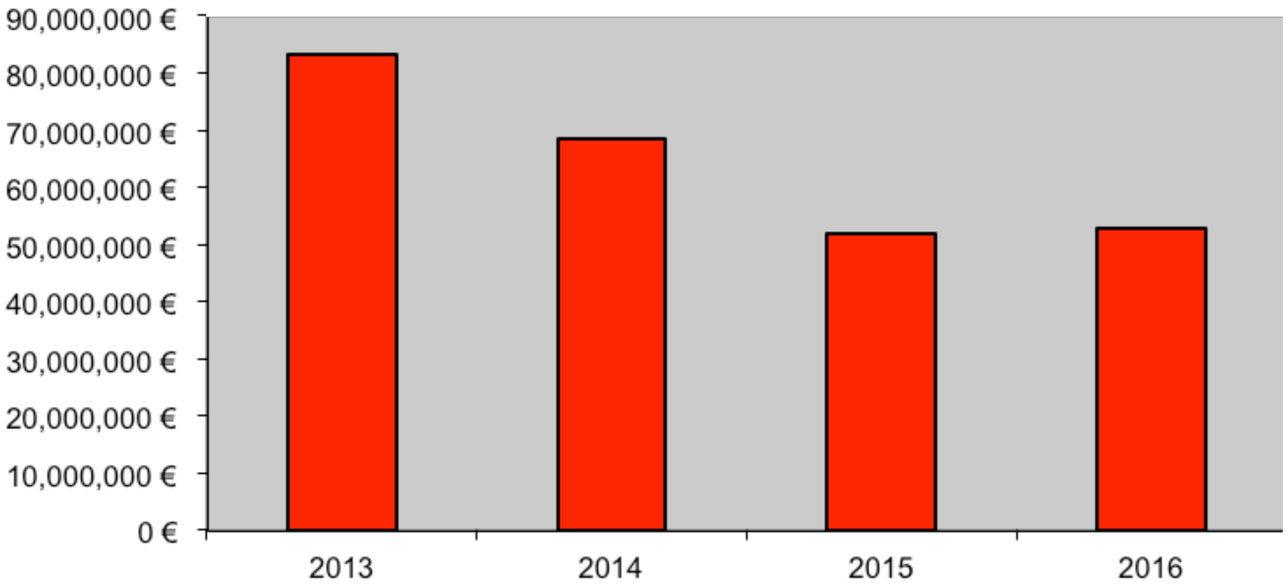
The Group revenue

The Akton Group achieved net sales revenues of €52,453,217.00 in 2016, up 1.3% on a year-over-year basis (2015: €51,798,168.00). In 2016, the Agency for Communication Network and Services of the Republic of Slovenia (AKOS) charge in Slovenia amounted to €0.00096 for each EUR 1 generated revenue from the sale of telecommunication services, which is significantly lower than in 2015, when it was as much as €0.00158. This means that we were right to continually drawing attention to the fact that the prescribed **amount of duty was reducing Akton's competitive position on international markets.** Thus, even now, Akton is forced to refuse any transactions where the margin is lower than the imposed levy. In terms of transactions scope, in 2016 Akton recorded growth in all transit international minutes, as well as in capacities sold in the data segment. In addition, a subsidiary in Croatia also recorded a significant growth in revenue. The share of services sold on foreign markets accounted for 74.28% of total net sales (2015: 93.0%). Accordingly, the Group's sales on foreign markets decreased by €9,265,926.00 in 2016, whereas a €9,920,975.00 increase in sales revenue was recorded on the domestic market. In comparison, in 2015 sales on foreign markets fell by €14,963,182.00 compared to the previous year, while sales on domestic market recorded a €1,776,509.00 decline. By taking advantages of all of its knowledge and competitive advantages, the Akton Group further consolidated its position on the market of international telecommunications in 2016 as the leading regional hub.

All the group companies in Croatia and Macedonia recorded increase in net sales revenue on their local markets in 2016. The highest growth (66%) was recorded in Macedonia, followed by a 28.5% increase on the Croatian market on year-over-year basis. Considering current economic conditions, the above results are excellent and the management believes they prove that in terms of its strategic orientation, the Group is on the right path.

Major contribution to the scope of sales was provided by wholesale telecommunications services in the inter-operator segment, rendered by the parent company in Ljubljana. Transit minutes grew by 7.9% in 2016 despite the decline in the total volume (international calls - international minutes) due to OTTs. Furthermore, by conclusion of a number of new contracts in the inter-operator segment of voice services, we consolidated our foundation and potential for further growth in years to come. In 2016, the Group significantly increased and further strengthened its cooperation with regional and alternative operators. Thus, the Group is successfully expanding the provision of international telecommunications services from the region and into the global sphere. Our cooperation with the largest global operators of telecommunications services has also been successful. The Akton Group regards this as an exceptional success and recognition of the Group's knowledge and the expression of trust in the Akton Group's expertise by international market players. During the year the Group continued to increase the number of network interconnections with existing partners.

Year-on-year sales growth (2013-2016)



In the segment of data services, in 2016 the Akton Group achieved great results despite challenging economic conditions on global markets. Several years of actively investing our efforts and knowledge in international markets has proven fruitful, resulting in further increase in the number of connections, based on framework contracts agreed in the previous period with some of the largest international operators, who were searching for a reliable regional partner. The Group provides services for some of the most important international institutions in the region and amongst other, we supply technologically most advanced telecommunications solutions to one of the leading international multimedia television stations. In 2016, the Group further consolidated its position as "the preferred" contractor in the region and some of the largest international operators and thus, also the largest business users, have entrusted the Akton Group to provide all of connections for their end business users in the entire region.

The challenges the Group is facing in this particular wholesale segment of data services are above all further decline in sales prices on international markets, continued pressure on margin, and high fixed costs of local "last mile" connections in the region. In spite of all, Akton is committed to the highest quality of services and through economies of scale of new orders the Group is successfully weathering difficult price conditions on the market. The Group provides highly reliable services of international connections for the most demanding users such as foreign embassies, banking systems, some of the most successful international and regional corporations, as well as other international institutions. As at the end of 2016, the Group provides over 450 international data connections and is one of the largest and most reliable providers of such services in the region.

In 2017, the Group expects the volume of business to grow further. However, the growth in net revenues depends on the AKOS policies, i.e. annual charges and market conditions.

The Akton Group provides services to business users in the region, primarily in Croatia, Bosnia and Herzegovina, Serbia and Macedonia. The highest increase in the number of clients and capacities sold has been reported in Serbia and Macedonia.

The Group expenses

The Group's operating expenses reached €51,408,408.00 in 2016 (2015: €50,474,185.00), where costs of inter-operator telecommunications services, costs of leased telecommunications lines, and costs of other services, account for the bulk of the costs. On year-over-year basis, employee benefit costs rose by 11.2% in 2016 (2015: an increase of 14.3%) and account for 4.7% of total expenses incurred by the Group. We are actively recruiting new talent and rewarding personal growth and the efforts of our employees. In 2016, we paid out a double annual award to our employees for their efforts and dedication. According to the valuation performed by a certified independent assessor of companies, goodwill was not impaired in 2016. Year-on-year results show that certain operational costs rose, whereas others remained stable in line with the long-term strategy aimed at ensuring the Group's financial stability.

The financial year 2016 was another rather challenging year for the Akton Group. In recent years, we have relied mostly on our own financial resources. While major amount of resources were in the past swallowed by litigation, the Group is at last able to invest its own funds in the future development of the Group with the aim of increasing in the long run, the value and business performance of the entire Group.

Through regular participation at business conferences and by strengthening its relations with business partners, the Akton Group is continuing its successful investing cycle in acquisition of new contracts at home and abroad. We continue to ensure our presence and participation at business meetings and conferences organised abroad. Furthermore, the Akton Group successfully continues to pursue its strategic cycle. Generally, the costs of the Group are relatively flexible, which means that they can be quickly adjusted, allowing the Group to adapt to potentially adverse situation in the market. In the next financial year, the Group will continue to strive for operating cost optimization in line with its turnover and the adopted plan.

Group employees

At 1 January 2016, the Akton Group employed 59 staff. There were no changes in the organizational framework of the Group in 2015 compared to the previous year. The Group is aware of the value of its human resources, and has adopted its long-term employment and development policies. The environment in which we operate, as well as our activities, require high standards also in terms of human resources.

Therefore, the Group recruits only the best and most talented staff. Akton's organizational climate is positive and the goal of each and every member of staff is to achieve common objectives set by the Group through pursuing their own personal goals. Staff turnover is at its minimum. At 31 December 2016, the Akton Group employed 61 staff and further recruitments are planned in 2017 to bring total headcount to 62.

Net profit of the Akton Group

In the financial year under review, the Group generated €863,042.00 of net profit (2015: €1,053,310.00). At the year-end, distributable profit of the Group amounted to €1,441,658.00 (2015: €578,616.00).

The net profit of €863,042.00 is an 18.06% decline compared to the amount generated in the previous financial year. Negative effect from the withdrawal of actions and an increase in employee benefit costs are two major factors for a decline in net profit in 2016. The Company also invests in its further business development. Thus, in 2016, we made major investments in the SMS and data lines segment. Financial expenses from interest on borrowings from banks and negative exchange rate differences were much lower in 2016 than in the previous year.

Due to primarily wholesale nature of transactions, it is absolute, rather than relative numbers that apply to the Akton Group. Accordingly, certain relative indicators such as profit/revenue or EBITDA margin do not always give the real picture of the Group's performance. The Group's objective is to ensure settlement of all of its operating liabilities using its own assets and is making regular repayments of all of its financial liabilities, including interest; furthermore, the Group is funding all the necessary investments on an ongoing basis. This can only be achieved on a regulated and transparent market, with full support and trust of our owners, business partners and banks.

Thus, the Group continues to forge good business relations with all of the Slovene banks as well as foreign banks that are present in the region. This ensures smooth funding of the Group and the Akton Group operates on the international market with an enviable amount of borrowings raised from banks. The banking system is of key importance as it provides support to fast growing enterprises and corporations such as Akton, and we are counting on continued support of banks for our business operations also in the future.

There was much optimism on the domestic and foreign markets in 2016. As prices in most markets continue to follow a downward trend, for several years now the Group has been striving to achieve the economies of scale. Recently, we have noted some price corrections upwards. Yet again, the market has proven that the major drivers of Slovenian, as well as other economies, are production and export-oriented companies with prospects on international markets. Hence, by adopting the right decisions, the state should encourage this most important part of the economy.

The Akton Group succeeded in increasing its share on international markets. In the data segment, prices continue to fall (which is not good news for either the market or the quality of services), while prices of voice services have already risen without any impact on the absolute margins.

In the next financial year, the Group is expecting more stability on international markets and an increase in the net profit.

Financial operations of the Akton Group in 2016 were very successful. It settled its operating and financial liabilities on a regular basis, the majority of receivables were successfully collected, which resulted in no major outstanding receivables, and this is quite an achievement and a rare occurrence in given circumstances. The Akton Group devotes much attention to collection of receivables, and we have in place one of the best collection systems and have no need to take advantage of external factoring services. The Akton Group does business with first-class business partners where financial discipline is a prerequisite for a long and successful cooperation. The Group has consistently demonstrated to be a reliable partner and the best among the middle-sized operators in the region.

Outstanding issues that have a direct impact on performance of the Akton Group

In 2016, The Group was able to concentrate the bulk of its energy and time on its business and future growth, as can be seen from its results. Most of the legal actions have either finished or are expected to be finished shortly.

In 2016, the Supreme Court decided in favour of Akton regarding regulated prices and the non-existence of Si.mobil's claim in the lawsuit brought against Si.mobil (now A1 Slovenia, d.d.).

This means that during the period at issue, all calls to the Slovenian mobile networks were regulated irrespective of the origin of the call, which confirmed the stand constantly advocated by Akton. In addition to the existing final judgements in favour of Akton, this is final confirmation that the Akton's conduct was correct and consistent with the legal framework.

In 2016, the Supreme Court annulled the decision of the FURS (which Akton appealed against) regarding (non) recognition of the goodwill impairment over the period 2007-2010 for tax purposes. The Supreme Court ordered the FURS to review its decision on the matter, taking into account the Supreme Court's guidelines.

We are always willing to actively approach any unresolved issues and support a compromise. Prolonged court proceedings are detrimental and a burden to all involved.

The state, regulators and courts should actively and impartially, approach healthy, export-oriented companies, supporting them on the road to success, as they are the ones that provide the basis for economic growth and financial stability of an individual country.

Investments

In 2016, the Akton Group invested mainly in regular maintenance and upgrading of its telecommunications equipment. Investments in property, plant and equipment amounted to €217,942.00 in 2016 (2015: €195,679.00), while €2,512,576.00 was invested in intangible assets (2015: €24,043.00).

Subsidiaries repaid a total of €95.145,00 (2015: €292,198.32) of loans and the related interest to the account of the parent company Akton d.o.o., Slovenia. All the subsidiaries in which the parent holds a 100% interest are profitable.

In 2016, the Akton Group further reduced all of its financial liabilities arising from long-term borrowings totalling €240,000.00 (2015: €286,471.11) and thus, at the end of 2016, they amounted to €0.00 (2015: €814,500.00).

The Akton Group will continue investing in the development of data and voice services, in the provision of high quality services and implementation of new solutions and strive to fund its investments utilizing the Group’s own assets. The Akton Group does not engage in R&D activities.

In the financial year under review, none of the Group’s companies raised additional capital.

The Group possesses no real estate.

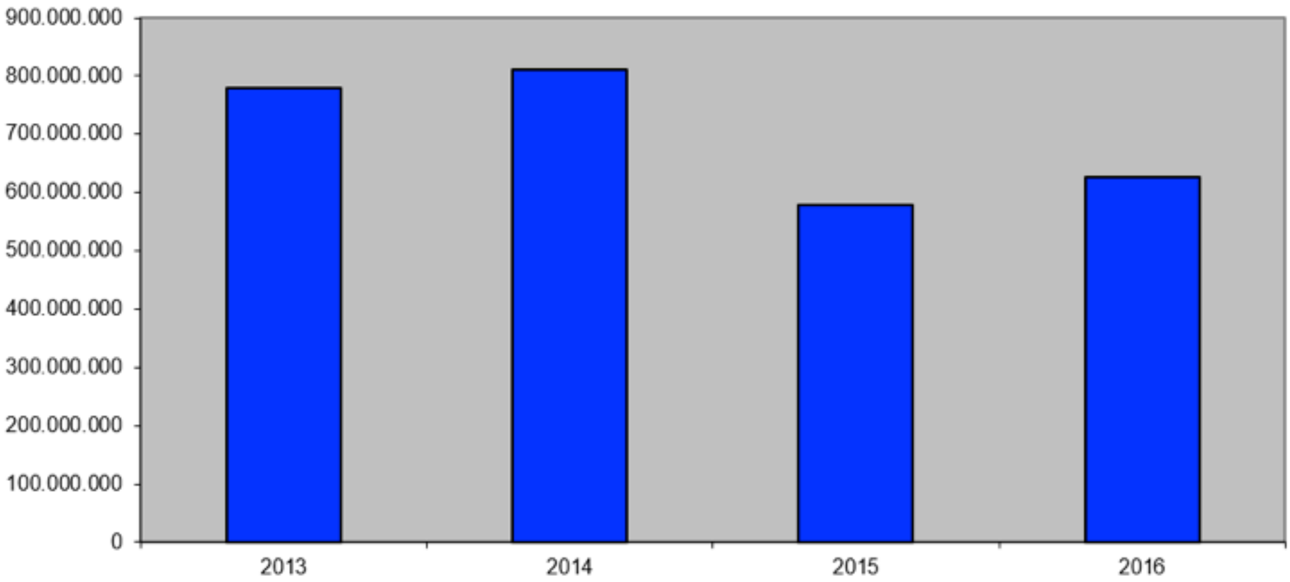
1.2 Products and Services

1.2.1 Inter-operator sale of voice services

The Akton Group is present on the four largest Central European intersections: PoP Vienna and PoP Frankfurt (both twice), 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 though 8 local PoPs) Ljubljana, Zagreb, Sarajevo, Banja Luka, Beograd, Skopje, Podgorica, Priština).

With over 625 million terminated minutes annually (2015: 579 million), the Akton Group is the largest alternative provider of voice services in the region.

Inter operator sale of voice services in minutes



1.2.2 Origin of calls

Services of origin of international calls are provided by the Group in Croatia, Bosnia and Herzegovina, Serbia and Macedonia. With turnover of 6.7 million minutes in 2016, operational result in this particular segment was similar to the one achieved in the previous year. Both, the operating scope and growth are within the plan and the Serbian market continues to offer the largest potential among all the markets in the region.

1.2.3 SMS

SMS forwarding services recorded the highest growth in 2016. Banks and companies that invest in this kind of promotional channel are satisfied with the service provided by the Group and this particular segment is growing, particularly in Slovenia, Serbia and Macedonia. In the medium term, the Group is expected to reach 100 million SMSs.

1.2.4 Data services

In 2016, the Group consolidated its position as the leading integrator of technologically most advanced connections and applications in the Adriatic region and recorded additional growth in the number of orders for international leased lines. The Akton Group is continually investing in expansion of our international data capacities, whilst protecting connections with a number of different routes. In 2016, we made some minor expansion of these capacities. At the same time, the Group remains loyal to its primary objective: to be the »One-Stop-Shop« service provider for international business partners in the whole of the region. Akton 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 the preferred provider of IPLC services in the Adriatic region of a large number of operators and business users. The list of countries where the Group provides data services includes Slovenia, Croatia, and other EU member states, as well as Bosnia and Herzegovina, Serbia, Macedonia, Montenegro, Kosovo and Albania. Geographically, this encompasses the entire Adriatic region. The Group also provides numerous data connections to its end users in the Adriatic region, in the direction towards Western Europe including London, Frankfurt, Milan, Vienna, Bratislava and elsewhere.

In the international data communications market, the scope of the Group's operations increased compared to the previous year, despite continued trend of falling prices on international markets. Furthermore, the number of active connections has significantly increased even though unlike other operators, the Akton Group is not operating on the market with dumping prices. The Group continues its excellent sales strategy in this particular segment, which is acknowledged by all major international operators. In 2017, the Group expects further growth in its business in this particular segment.

The Group is continually investing in new technologies, allowing it 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. Customers 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, much more.

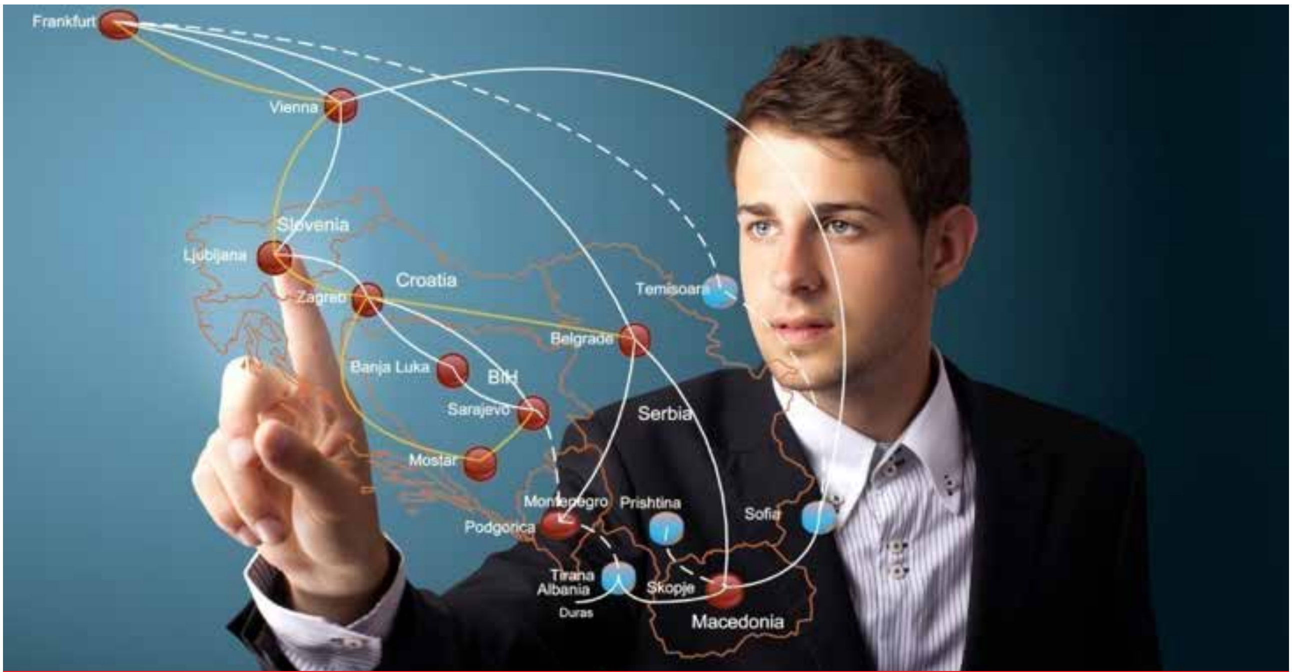


Figure 1: The Akton Group Backbone network in the region

1.3 Strategy

In the financial year 2016, the Group successfully pursued its strategic objectives, and successfully realized its short-term goals. In the next financial year, we intend to further strengthen and improve our existing strategic objectives. The Group is well on its way of achieving its long-term goals and strategic priorities set for the 2014-2019 period.

Results achieved in recent years demonstrate without a doubt that the Akton Group is successfully meeting its ambitious goals and has achieved excellent results in highly competitive markets. Our aim is to expand our success in international markets by providing services to the largest Slovenian companies operating 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 its future growth and development. Africa is a continent, which has been the focus of our attention for a number of years. Akton aims to increase its presence on this continent by offering competitive services and solutions.

Key priorities of the Group in the period 2014-2019 are the following:

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

The Akton Group is developing into the leading provider of telecommunications services whose objective is to connect the region with the global world of telecommunications. In doing so, Akton is focusing on partnerships, rather than competition!

1.4 Corporate Responsibility

Akton Group consistently complies with the fundamental principles of corporate responsibility, which we perceive as our commitment to taking part in the social environment in which we operate. We strive to ensure our business is carried out in a manner that conveys to all our stakeholders our spirit and our high social standards.

Care for employees

We operate in a high-tech industry where advancement is ensured only by having highly motivated and dedicated professionals who through their knowledge and experience achieve success on a daily basis in their own individual field. To Akton, every single employee is important as together we are building a culture of mutual trust, respect, efficient cooperation and teamwork. We continually learn and ensure that we are responsible and efficient in our approach to work and the environment.

Akton organizes a variety of professional trainings for its employees, enables their participation in international forums and conferences and, subsequently, promotes personal growth and career development of each individual.

We are a united team and this is confirmed by our formal and informal socializing events including regular celebration of each individual's life achievements. Every year employees participate in different activities financed by the Company or each individual, such as a picnic, team building, indoor recreational pursuits, etc. Organization of recreational activities is very important for raising employees' awareness of the importance of a healthy living and we are proud to be able to make up at least two good basketball and football teams. Time permitting we annually organize a picnic for all employees and their families to acknowledge that family members are also a part of our Company as much as we are. At Christmas, children of our employees are awarded for accepting their parent's absence through work with a visit of Father Christmas who brings presents to each and every one of them.

Business partners

Satisfied business partners are a key factor in today's competitive environment and for this reason, our motto is: provision of services with added value that are tailored to individual client's needs. A long time ago, we realized that the key condition for successful performance is a commitment to long-term and mutual benefit of both partners. Accordingly, we do not only sell services to our partners, we create added-value for them which ensures that both, our partners and ourselves become winners on international markets. In cooperation with each and every business partner we strive to find solution with a winning balance between quality and price of services. Quality of our services and products is systematically monitored and upgraded.

Akton is a full member of the OSS&ICDS (The International One-Stop-Shopping / Inter-Carrier Data Services Forum). As members of this forum, we, along with other business partners, strive to standardize processes in the implementation of privately leased lines in order to raise their quality.

Environment

Our activities and business operations are directed not only at providing the best quality solutions, but also solutions that are friendly to the environment and the Akton Group. All the employees in all departments recycle waste and use reusable packaging.

All the Company's business processes are organized in a way that uses the minimum amount of paper and printers. All internal communication as well as some of the archived documents within the Akton Group are based on electronic, trees-friendly platforms. We use the same approach in our communications with partners who are able to take part in such cooperation.

Solidarity

Everyone in the Akton Group is aware of the fact that in statistical terms, every 5 minutes someone in Slovenia needs blood transfusion. Therefore, we support the fundamental idea that "every blood donor is a hero" and we support all who take this noble action and donate blood. We are extremely proud of all our employees who are voluntary blood donors.

Sponsorship

Donor and sponsorship funds are awarded to various humanitarian organizations and individuals throughout the year, all within our financial abilities. We primarily focus on long-term projects where we can expect best results and can assist the largest number of those in need of assistance. Everyone in the Akton Group appreciates and supports the work and efforts of all charity workers, particularly those involved in children charities.

In 2016, we allocated our sponsorship funds to:

- Olimpija Swimming Club
- Youth Association of Ljubljana – Moste
- Foundation »Vrabček Upanja«
- Celje General Hospital
- Šmartno Elementary school
- Društvo vztrajaj (Never give up)
- Women's volleyball club Tabor
- Hinco Yachting Club

1.5 Exposure To Risk 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.

1.5.1 Currency risk

Currency risk is the risk of fluctuating value of assets due to changes in foreign exchange rates. Currency risk is a significant category and as such is monitored particularly regarding operating receivables and liabilities as the risk can neutralize the price margin. Currency risk exists in terms of individual countries and as part of the country risk management,, we also monitor past and projected currency fluctuations on our target markets.

The Group purchases US$ on the market whilst constantly monitoring fluctuation of international exchange rate for the currency. Transactions with services denominated in US$ are monitored daily in order to mitigate the risk. Our sales division applies current US$ exchange rate with the relevant discount which further reduces the risk.

Taking into account the measures carried out in order to mitigate our exposure to currency risk, the Group's exposure to currency risk is assessed as moderate.

1.5.2 Interest and credit risk

Interest risk is the risk of the negative impact of changes in market interest rates on the value of the Group's assets. Credit risk is the risk that party to the financial instrument contract fails to settle its obligations thus reducing economic benefits flowing to the Company.

In terms of securing funds for our own investing activities, interest rate is minimized through borrowing funds at a variable rate of interest.

The Group has set an excellent system of monitoring receivables maturity daily, by informing our business partners a few days in advance that certain receivables will mature.

Taking into account the measures carried out in order to mitigate our exposure, the Group's exposure to credit risk is assessed as low.

1.5.3 Liquidity risk

Liquidity risk is the risk of a shortage of available financial assets and consequently the Group's inability to settle its obligations within contractual terms. The Group 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.

The interest rate policy also affects and ensures regulation of liquidity risks as we are able to determine monthly outflows associated with interest costs. 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 strive to optimize allocation of funds per individual companies. An open revolving line provides the Group with sufficient security to meet its needs and therefore, we do not expect any major liquidity risks.

Taking into account the measures carried out in order to mitigate our exposure to liquidity risk, the Group's exposure to liquidity risk is assessed as low.

1.6 Subsequent Events

In 2017, the Group's business operations are proceeding as planned.

1.7 Related Party Transactions

In all transactions with the parent company, Akton obtained suitable payments and has not suffered any loss due to legal transactions carried out or as a result of any actions that were either taken or omitted in given circumstances known at the time those transactions were performed.

1.8 Consolidated Financial Statements Fy 2016

1.9 Consolidated Statement Of Financial Position as at 31 December 2016

	Notes	31.12.2016	31 Dec 2015*	EUR 1 Jan 2015*
ASSETS		**17,315,655**	**14,565,725**	**15,424,406**
A. Non-current assets		**9,368,946**	**7,075,509**	**6,985,427**
I. Intangible assets	1	6,088,649	6,060,190	6,067,226
II. Property, plant and equipment	2	738,071	803,417	915,862
III. Non-current investments	3	2,515,732	200,000	2,339
IV. Other assets		26,494	9,568	0
V. Non-current operating receivables		0	2,334	0
B. Current assets		**7,946,709**	**7,490,216**	**8,438,979**
I. Inventories		5,245	4,394	5,241
II. Short-term investments	4	1,502,846	0	0
III. Short-term operating receivables	5	6,216,593	6,289,827	7,701,200
IV. Short-term tax assets		0	0	61,062
V. Other receivables		72,499	57,347	65,646
VI. Cash and cash equivalents		149,526	1,138,648	605,830
EQUITY AND LIABILITIES		**17,315,655**	**14,565,725**	**15,424,406**
A. Equity	**6**	**8,168,973**	**7,303,565**	**6,250,505**
I. Share capital		4,915,686	4,915,686	4,915,686
II. Reserves		1,811,629	1,809,263	2,409,937
III. Retained earnings		1,441,658	578,616	-1,075,118
B. Provisions		**21,863**	**0**	**0**
C. Non-current liabilities		**150,000**	**574,500**	**814,500**
I. Non-current financial liabilities		0	574,500	814,500
II. Non-current operating liabilities		150,000	0	0
D. Short-term liabilities		**8,974,819**	**6,687,660**	**8,359,401**
I. Short-term financial liabilities	7	860,164	241,370	289,291
II. Short-term operating liabilities	8	6,738,184	6,293,173	7,840,599
III. Short-term income tax payable		8,127	67,943	0
IV. Other liabilities	9	1,368,344	85,174	229,511

*In 2016, the Group adopted the International Financial Reporting Standards, and thus, the previous year's data has been reconciled accordingly, as presented in Note 18.

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

1.10 Consolidated Income Statement For The Year Ended 31 December 2016

	Notes	I-XII 2016	EUR I-XII 2015*
1. Net sales revenue	10	52,453,217	51,798,168
2. Other operating revenue		42,408	106,596
3 Costs of goods, materials and services	11	-48,684,933	-47,932,561
4. Employee benefit costs	11	-2,397,966	-2,157,016
5. Write-downs	11	-308,588	-356,698
6. Other operating expenses	11	-16,921	-27,910
Operating profit or loss		**1,087,217**	**1,430,579**
7. Financial income from loans granted		1	3
8. Financial income from operating receivables		21,769	87,509
9. Financial expenses from financial liabilities		-44,983	-48,934
10. Financial expenses from operating liabilities		-25,038	-216,265
Financial profit or loss		**-48,251**	**-177,687**
Total profit or loss before tax		**1,038,966**	**1,252,892**
11. Income tax payable		-175,924	-199,582
12. Deferred tax		0	0
Net profit or loss for the year		**863,042**	**1,053,310**

*In 2016, the Group adopted the International Financial Reporting Standards, and thus, the previous year's data was reconciled accordingly, as presented in Note 18.
The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

1.11 Consolidated Statement Of Other Comprehensive Income year ended 31 December 2016

	I-XII 2016	EUR I-XII 2015
Net profit/loss	**863,042**	**1,053,310**
Other comprehensive income that will be reclassified subsequently to P&L	**2,366**	**-249**
Actuarial gains/losses	0	0
Other comprehensive income – consolidation reserve	2,366	-249
Total comprehensive income for the year	**865,408**	**1,053,061**
Comprehensive income/loss per share	0.176	0.214
Vseobsegajoči donos/izguba na delnico	0,176	0,214

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

1.12 Consolidated Cash Flow Statement

year ended 31 December 2016

	2016	EUR 2015
A. Cash flows from operating activities		
a) Items derived from the income statement	**1,189,778**	**1,413,509**
Operating revenue (except from revaluation) and financial income from operating receivables	52,490,560	51,946,843
Operating expenses excluding amortization and depreciation (with exception of revaluation) and financial expenses from operating liabilities	-51,124,858	-50,333,752
Income tax and other taxes not included in operating expenses	-175,924	-199,582
b) Changes in net operating assets	**1,909,405**	**-133,636**
Opening less closing operating receivables	102,106	1,490,606
Opening less closing other receivables	-32,078	-1,269
Opening less closing inventories	-851	847
Closing less opening operating liabilities	535,195	-1,479,483
Closing less opening other liabilities and provisions	1,305,033	-144,337
c) Net cash from operating activities (a+b)	**3,099,183**	**1,279,873**
B. Cash flows from investing activities		
a) Cash receipts from investing activities	**2,367**	**3**
Interest and dividends received from investing activities	2,367	3
b) Cash disbursements from investing activities	**-4,089,983**	**-408,614**
Cash disbursements to acquire intangible assets	-53,797	-14,473
Cash disbursements to acquire property, plant and equipment	-217,608	-194,141
Cash disbursements to acquire short-term investments	-1,502,846	0
Cash disbursements to acquire non-current investments	-2,315,732	-200,000
c) Net cash from investing activities (a+b)	**-4,087,616**	**-408,611**
C. Cash flows from financing activity		
a) Cash receipts from financing activities	**618,794**	**5,607,000**
Cash proceeds from increase in short-term financial liabilities	618,794	5,607,000
b) Cash disbursements from financing activities	**-619,483**	**-5,945,444**
Interest paid on financing activities	-44,983	-48,934
Cash repayments of non-current financial liabilities	-574,500	0
Cash repayments of short-term financial liabilities	0	-5,896,510
c) Net cash from financing activities (a+b)	**-689**	**-338,444**
D. Closing balance of cash and cash equivalents	**149,526**	**1,138,648**
Net cash inflow or outflow for the period (sum total of Ac, Bc and Cc)	-989,122	532,818
Opening balance of cash and cash equivalents	1,138,648	605,830

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

Respect.
We know our own values and honour the values of others.

1.13 Consolidated Statement Of Changes in Equity

Consolidated statement of changes in equity in 2016:

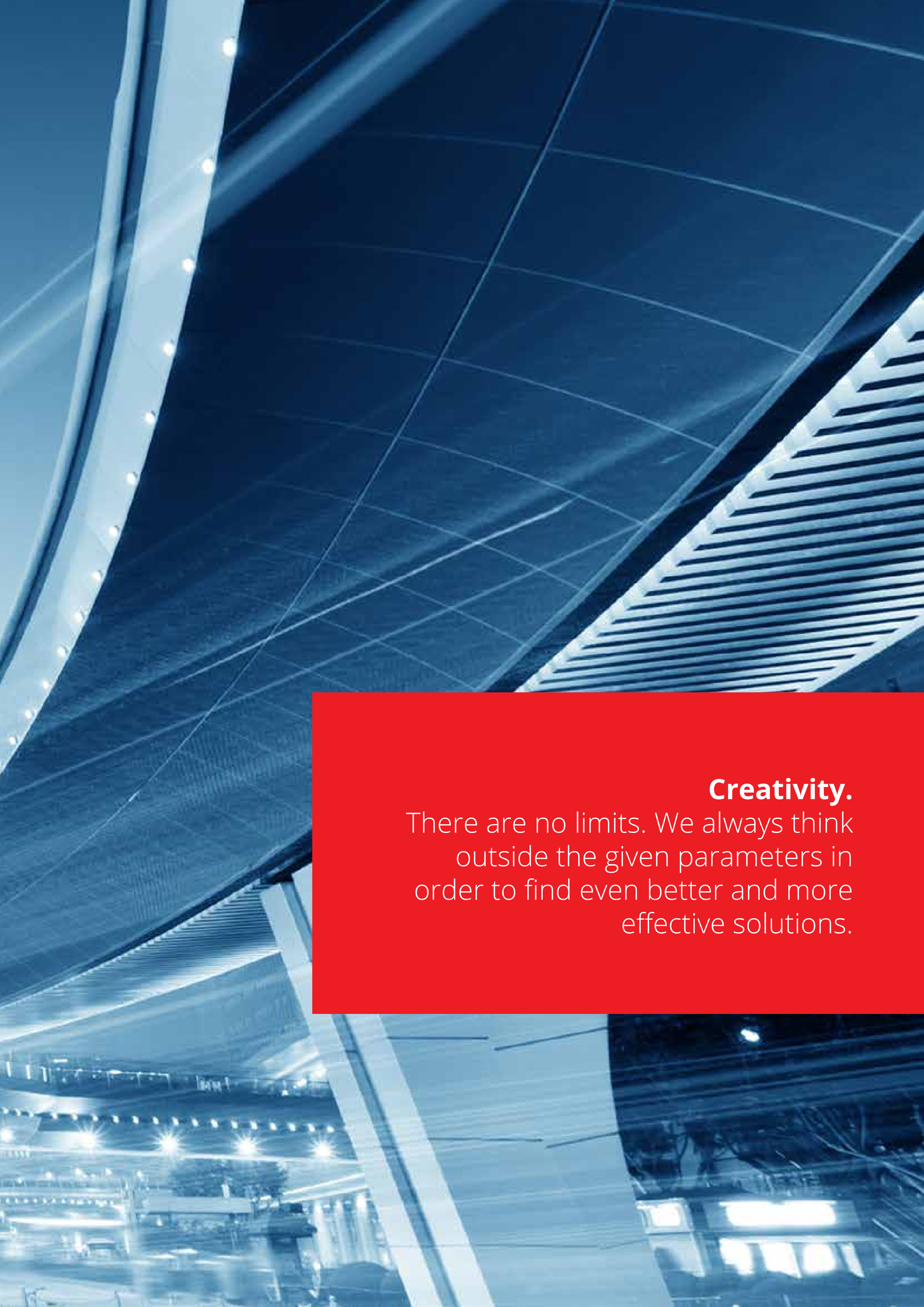
	Notes	Share capital	Share premium	Profit reserves Legal reserves	Translation reserves	Retained earnings	EUR Total capital
At 1 Jan 2016		**4,915,686**	**1,834,224**	**6,621**	**-31,582**	**578,616**	**7,303,565**
Profit/loss for the period		0	0	0	0	863,042	863,042
Consolidation reserve		0	0	0	2,366	0	2,366
Total comprehensive income/ loss for the period		**0**	**0**	**0**	**2,366**	**863,042**	**865,408**
Increase in investments		0	0	0	0	0	0
At 31 Dec 2016	**4**	**4,915,686**	**1,834,224**	**6,621**	**-29,216**	**1,441,658**	**8,168,973**
Distributable profit at 31 Jan 2016	**4**	**0**	**0**	**0**	**0**	**1,441,658**	**1,441,658**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.

Statement of changes in equity for the previous financial year (2015):

	Notes	Share capital	Share premium	Profit reserves Legal reserves	Translation reserves	Retained earnings	EUR Total capital
At 1 Jan 2015		**4,915,686**	**2,434,649**	**6,621**	**-31,333**	**-1,075,118**	**6,250,505**
Profit/loss for the period		0	0	0	0	1,053,310	1,053,310
Consolidation reserve		0	0	0	-249	0	-249
Total comprehensive income/ loss for the period		**0**	**0**	**0**	**-249**	**1,053,310**	**1,053,061**
Increase in investments		0	-600,425	0	0	600,424	-1
At 31 Dec 2015	**4**	**4,915,686**	**1,834,224**	**6,621**	**-31,582**	**578,616**	**7,303,565**
Distributable profit at 31 Dec 2015	**4**	**0**	**0**	**0**	**0**	**578,616**	**578,616**

The accounting policies used and notes are an integral part of consolidated financial statements and should be read in conjunction with them.



Creativity.
There are no limits. We always think outside the given parameters in order to find even better and more effective solutions.

2. Appendix to Consolidated Financial Statements

2.1 Profile of the Group

Company name:	Akton Telekomunikacijski inženiring d.o.o.
Short name:	Akton d.o.o.
Registered office:	Dunajska cesta 9, Ljubljana
Legal form:	Limited liability company
Incorporated:	on 22 May, 1990, entry No. 1/06892/00
Principal activity of the Company:	Activity code 61.900; Other telecommunications
Share capital:	€4,915,685.55
Owner:	ATEL EUROPE B.V., Jan van Goyenkade 8, 1075 HP Amsterdam, the Netherlands, is the sole owner of the Company
Management Board:	Igor Košir, Director Miha Novak, Holder of procuration
Subsidiaries:	AKTON d.o.o. Croatia, whose principal activity is the sale of telecommunications services, AKT.ONLINE d.o.o. Bosnia and Herzegovina, whose principal activity is the sale of telecommunications services, AKTON d.o.o. Serbia, whose principal activity is the sale of telecommunications services, AKTON d.o.o.e.l. Macedonia, whose principal activity is electronic data processing (EDP) and sale of telecommunications services.
Financial year:	Financial year covers the same period as the calendar year. The Management Board adopted and approved the consolidated Annual Report 2016 for publication on 5 September 2017. The consolidated annual report is available at the headquarters of the Company.

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

Company name	Registered office	The parent company's holding in 2016	The parent company's holding in 2015
AKTON d.o.o.	Bani 75, Buzin, Zagreb, Croatia	100%	100%
AKT.ONLINE d.o.o.	Fra Anđela Zvizdovića 1, Sarajevo, BIH	100%	100%
AKTON d.o.o., Beograd	Bulevar Mihajla Pupina 6/16, Beograd, Serbia	100%	100%
AKTON d.o.o.e.l.	Belasica 2, Skopje, Macedonia	100%	100%

Average number of employees by educational level:

Educational level / year	2016	2015
V.	27	27
VI.	9	9
VII.	24	22
VIII.	1	1
Total	61	59

2.2 Summary Accounting Policies and Assumptions

In accordance with the criteria prescribed in the Companies Act (ZGD-1), the parent company is classified as a medium-sized company, and as such is obliged to ensure statutory audit of its financial statements. However, the Company is not required to prepare consolidated financial statements of the Group. The parent company voluntarily adopted a decision to compile its annual reports and financial statements in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as from 1 January 2016.

Declaration of compliance

The enclosed financial statements of the Akton Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations adopted by the IFRS Interpretations Committee, as endorsed by the European Union**.**

Basis of preparation

The financial statements are prepared under the historical cost accounting convention.

Functional and reporting currency

The financial statements are expressed in the Euro currency. All amounts are rounded up to the nearest Euro without cents, except in cases where specified otherwise

Significant accounting policies

The financial statement preparation requires the management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities of the Group, and disclosure of potential liabilities on the reporting date, as well as the amounts of revenues and expenses recorded over the period ending on the reporting date.

The management estimates include, among others, the following items: the carrying amount of intangible assets (Note 1), adjustments of doubtful receivables (Note 3), and provisions for jubilee awards and termination benefits on retirement, which are estimated based on an actuarial calculation. Future events and their effects cannot be determined with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Group’s operating environment changes. Hence, actual results may differ from those estimates. The differences between the estimated and actual amounts are recorded in the financial statements at the time when the actual data are known.

Significant management estimates

In the process of applying the accounting policies, in addition to estimations, which have the most significant impact on the amounts recognised in the financial statements, management had to assess the fair value of goodwill.

Basis of consolidation

The consolidated financial statements are comprised of the separate financial statements of the parent Akton d.o.o. and its subsidiaries as at 31 December of each year. The financial statements of subsidiaries were prepared for the same financial year as the financial statements of the parent company with the application of uniform accounting policies. In the event of inconsistent use of accounting policies, appropriate adjustments are made in the consolidated financial statements.

All intragroup balances and transactions, including unrealized profits arising from those balances and transactions, are fully eliminated in the process of consolidation. Consolidation of subsidiaries begins on the day the control is transferred to the Group; an individual subsidiary is excluded from the consolidation when the control over the subsidiary is transferred from the Group. If the Group loses control of a subsidiary during the year, the subsidiary's results are included in the consolidated financial statements up to the day the control of the subsidiary existed.

In the consolidated statement of financial position, minority interests are disclosed separately from the equity interests of the parent. In the consolidated income statement, minority interests are reported separately from the profit of the Group.

The Group recognizes any transactions with minority owners as transactions with non-related parties. Acquisition of interests in a subsidiary from minority owners are reflected in goodwill (surplus) as the difference between the cash or other consideration paid and the corresponding share of the net book value of the acquired assets of the subsidiary. Sale of interests in a subsidiary to minority owners is recognized by the Group in profit or loss either as revenue or expense. Minority interests are reported as a separate item of the Group's equity. Net profit or net loss is attributed to the net profit or loss of the majority owner and the net profit or loss of the minority owners.

Intangible assets

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

Intangible assets are disclosed at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the items of property, plant and equipment is accounted for using straight-line method. Amortization is accounted for individually using amortization rates based on the estimated expected functional life periods of individual intangible assets.

Amortization methods applied, useful lives of intangible assets and any signs of impairment of the assets are checked at least annually. Impairment loss is recognized as an item of revaluation operating expenses in the profit or loss. All intangible assets of the Group have limited useful lives. Amortization of the items of intangible assets is considered using the following amortization rates (in %):

	2016	2015
Software applications	10.00-50.00	10.00-50.00

Property, plant and equipment

An item of property, plant and equipment is recognized if it is probable that the future economic benefits associated with the asset will flow to the entity and its cost can be measured reliably. The cost of the asset comprises its purchase price, import duty and non-refundable purchase taxes, as well as costs attributed to making the asset ready for its intended use. Any trade discounts are deducted from the cost of the assets.

The items of property, plant and equipment are disclosed at cost less any accumulated depreciation and accumulated impairment losses. Depreciation of the items of property, plant and equipment is accounted for using straight-line depreciation method. Depreciation of an item of property, plant and equipment is accounted for individually using depreciation rates based on the estimated expected functional life periods of individual assets.

Depreciation methods applied, useful lives of the assets and any signs of their impairment are checked at least annually. Impairment loss is recognized as an item of revaluation operating expenses in the profit or loss. Carrying amount of an individual item of property, plant and equipment is derecognized on the asset's disposal or when no future economic benefits are expected from the asset's continued use or subsequent disposal.

The Akton Group applies the following depreciation rates to its assets (in %):

	2016	2015
Computer hardware	5.00-50.00	5.00-50.00
Office machinery	7.50-25.00	7.50-25.00
Telecommunications equipment	4.00-25.00	4.00-25.00
Other equipment	8.00-25.00	8.00-25.00

Recoverable amounts of non-current assets

The Group assess on each reporting date whether there are any indications of the non-current asset's impairment. If there exist indications of an individual asset being impaired, its recoverable amount is estimated. When the carrying amount of an asset exceeds its recoverable amount, the asset's value is impaired to the recoverable amount of the asset or its cash-generating unit. The asset's recoverable amount is its fair value reduced by the higher of the costs to sell or value in use. The value in use is assessed by discounting expected future cash flows to the net present value using the appropriate discount rate (before tax) that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset, whose future cash flows depend on other assets in a cash-generating unit, the value in use is determined based on future cash flows of the relevant cash-generating unit. Losses arising from impairment are recognized as revaluation operating expenses.

Financial assets

The Group classifies its investments as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables. The classification is based on the purpose of their acquisition.

Available-for-sale financial assets

Financial assets available for sale comprise mainly investments in non-trading securities and other investments not quoted on an active market, and whose fair value cannot be determined reliably. After initial recognition, all available-for-sale financial assets are measured at cost. Gains or losses on available-for-sale financial assets are recognized in the comprehensive income as net unrealized gains on financial assets available for sale, until the asset is sold or disposed of in some other manner. Any impairment loss is recognized in the profit or loss. Purchase and disposal of individual available-for-sale financial assets is recognized on the trade date.

The Group assesses on the reporting date whether there is any impartial evidence of impairment of available-for-sale financial assets, such as significant or prolonged decline in the asset's fair value. If such an indication exists, the asset is impaired.

Financial assets at fair value through profit or loss

An asset is classified into the fair value through profit or loss category if it is held for trading or is classified as such upon its initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value and in accordance with its investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when they are incurred. Financial instruments at fair value through profit or loss are measured at fair value, while changes therein are recognized in profit or loss.

Fair value hierarchy

Financial assets at fair value through profit or loss are classified into the following three levels:

- Level 1 includes assets whose fair value is determined based on published prices achieved on an active market.
- Level 2 includes investments whose fair value is determined using valuation technique models, taking into account variables, gained on available market data such as market interest rates.
- Level 3 includes investments whose fair value is determined using valuation technique models, taking into account subjective variables not publicly available on the market.

Inventory of merchandise

Inventory of merchandise is measured at cost; inventory consumption is accounted for under the FIFO method. The Group checks the net realizable value, movement, and use of inventory of merchandise annually.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an organized market. This category includes loans and receivables acquired by the company as well as loans and receivables originating from the company. On initial recognition, loans and receivables are measured at fair value less transaction costs; after initial recognition, they are measured at amortized cost using the effective interest method.

Derecognition of financial assets

A financial asset is derecognized, when the risks and rewards, as well as the control over contractual rights related to the financial instrument are transferred. A financial liability is derecognized when settled, abolished or becomes obsolete.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, and cash equivalents. Cash equivalents comprise short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (deposits maturing within 90 days or less).

Cash and cash equivalents are reported at fair value. Cash equivalents comprise short-term bank deposits with maturity of up to three months. On the reporting date, cash denominated in foreign currency is translated into the Euro currency at the mean exchange rate of the Bank of Slovenia.

Equity

Total equity of the Group is its liability to owners which falls due if the Group ceases to operate, whereby the amount of equity is adjusted to the then attainable price of the Group’s net assets. It is determined by the amounts invested by owners and the amounts generated in the course of operation that belong to the owners.

Total equity comprises called-up capital, share premium, profit reserves, retained earnings, and transitionally undistributed net profit or unsettled losses for the year.

Financial liabilities

Financial liabilities are initially recognized at amounts recorded in the relevant documents under the assumption that an outflow of resources embodying economic benefits will result from their settlement. Based on their maturity, financial liabilities are classified into non-current and current liabilities. After initial recognition they are carried at their amortized cost using the effective interest rate method.

Operating liabilities

Operating liabilities are initially recognized at amounts recorded in the relevant documents under the assumption that an outflow of resources embodying economic benefits will result from their settlement. Based on their maturity, operating liabilities are classified into non-current and current liabilities.

Fair value of operating liabilities is verified at least once a year. If their carrying amounts fall below their fair value, an increase in the value of operating liabilities is recognized in profit or loss as an item of revaluation operating expense. Operating liabilities are not restated to account for their impairment.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and 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. Provisions are not restated.

Provisions for termination benefits on retirement and jubilee awards are discounted using a 3.15-percent annual discount rate. Provisions calculation is based on the number of permanent employees, considering Slovenian mortality rates for the period 2000-2002 separately by gender.

Depending on the staff turnover, actuarial calculations are made every five years.

Revenue

Revenues are recognized if during the accounting period the increase in economic benefits is related to the increase of an asset or decrease of a liability and if the relevant increase can be reliably measured.

Sales revenue comprises sales value of services rendered in the accounting period and recorded in invoices and other documents, less any discounts granted, providing the Group can realistically expect their payment.

Financial income is the revenue generated by investing activities. Financial income arises in relation to non-current and current investments, as well as in association with receivables. Financial income is recognized upon statements of accounts, irrespective of receipts, unless there is a justified doubt about their amount, maturity or settlement. Financial income comprises revaluation revenue, revenue from the sale of financial assets and dividend income.

Income from shares in the profit is recognized upon exercising the right to dividends, unless there is a justified doubt about their amount, maturity or settlement.

Short-term accrued income arises when payments have not been received and invoices could not have been issued, but the entity has good reasons to include the revenue in its profit or loss.

Deferred revenue is recognized when services to be rendered in the future have been invoiced.

Costs and expenses

Expenses are recognized if decreases in economic benefits in the accounting period are associated with decreases in assets or increase in liabilities and these decreases can be measured reliably.

Employee benefit cost

Employee benefit costs are recognized based on documents that evidence the work performed and other basis for payroll calculation in the gross amount.

Costs of salaries, salary substitutes and reimbursements of costs to employees are accounted for in consideration of labour legislation, collective agreement, internal rules of the Group companies, and employment contracts. Costs of labour are equal to the associated liabilities until they are settled. Short-term employee benefits are recognized as an item of short-term liabilities. In addition, the Group recognizes provisions for non-current employee benefits.

Amortization and depreciation

An amortizable amount of an individual item of intangible assets or plant, property and equipment is consistently allocated over the asset's useful life period as its amortizable/depreciable amount of individual accounting period.

Depreciation or amortization is the amount by which the net carrying amount of an item of intangible assets or plant, property and equipment is reduced. The net carrying amount of an assets is either lower or equal to its recoverable amount in the asset's residual life period. Amortization and depreciation of an individual accounting period are recognized in profit or loss as items of operating expenses or operating costs. Amortization and depreciation rates of individual items of intangible assets and property, plant, and equipment are based on their assessed useful lives.

Borrowing costs are recognized as expenses when they are incurred.

Financial expenses include financing expenses and investment expenses. The former comprise mainly interest expense, while the latter include losses on the sale of securities and revaluation financial expense.

The revaluation financial expenses arise in association with the impairment of long-term and short-term investments unless the decrease in their value is covered by the revaluation surplus.

Short-term deferred costs or short-term deferred expenses are amounts incurred but not yet charged against an entity's activities and they do not yet affect profit or loss; instead, they will subsequently be calculated as costs and allocated to the relevant costs or expenses.

Accrued costs or accrued expenses are recognized based on allocating expected amount of costs or expenses of the period, which have not yet been invoiced to the entity's activity or its profit or loss.

Tax

Current tax

A liability or asset for current taxes for the current and previous periods is calculated in the amount the Group expects to pay to or be reimbursed from the tax administration. Current tax assets or liabilities are measured using tax rates effective on the reporting date.

Deferred tax

Deferred tax assets and liabilities are provided using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognized.

Deferred tax is debited or credited directly in equity, if the tax relates to items that are recognized directly in equity. A deferred tax asset is also recognized on account of unused tax losses and unused tax credits carried forward to the next period, if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

On the reporting date, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.
Deferred tax assets and liabilities are recognized using the tax rate applicable when the asset is expected to be realized or liabilities settled. Tax rates that have been enacted or substantially enacted by the reporting date are taken into account.

Foreign currency translation

The consolidated financial statements are presented in Euro (EUR), which is the functional and reporting currency of the parent company and its subsidiaries in Slovenia. Transactions in a foreign currency are initially recognized in the functional currency and converted at the exchange rate of the European Central Bank (ECB) on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing at the reporting date. Any resulting difference is recognized in profit or loss. Non-monetary assets and liabilities recognized in original amounts in foreign currency, are translated at the ECB exchange rate prevailing on transaction date; any differences arising on translation are recognized in other comprehensive income. Non-monetary assets and liabilities measured at fair value in a foreign currency are converted at the exchange rate applied when fair value was established.

Cash flow statement

The cash flow statement discloses cash flows for the period arising from operations, investments and financing. The Group applied the indirect method in the preparation of its cash flow statement. Individual cash flow items are reported in gross amounts with exception of cash flows resulting from acquisition and sale of financial assets. The latter comprise items which are characterized by high turnover ratio, significant amounts and short maturity. As such, they are recognized in net amounts. On the reporting date, cash denominated in foreign currency is translated into the Euro currency at the mean exchange rate of the Bank of Slovenia. Data reported inn the cash flow statement are derived primarily from the general ledger, and also from analytical records. Cash flows from intragroup transactions are eliminated from the consolidated cash flow statement.

Changes in certain accounting policies in the future

The accounting policies applied are consistent with those of the previous financial year except for the following newly adopted standards and interpretations adopted in 2015 by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union.

New standards and interpretations not yet effective

The Group has not early adopted any standard or interpretation issued but not yet effective. The Group does not expect new standards, interpretations or amendments to have any significant impact on its consolidated financial statements.

A list of new and not yet effective IFRSs, interpretations and amendments to standards already in effect as at 24 January 2017, relating to disclosures in the financial statements compiled under IFRS as endorsed by the EU for annual financial reporting and for the financial year ended 31 December 2016.

Standards, interpretations and amendments not yet effective

The following standards ad interpretations are not yet effective and as such, were not applied in the compilation of the financial statements for the year ended 31 December 2016: [IAS 8.30 (a)]:

Standard/ Interpretation *[IAS 8.31 (a), 8.31(c)]*	**Nature of upcoming changes in accountin- policies** *[IAS 8.31 (b)]*	**Impact on the financial statements** *[IAS 8.30 (b); 31 (e)]*
IFRS 9 Financial Instruments (2014) (Effective for annual periods beginning on or after 1 January 2018. With few exceptions, amendments should be applied retrospectively. While the restatement of the prior period's data is not required, it is allowed providing the relevant data are available and providing the entity does not use the hindsight. Early application is allowed.)	The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. However, IAS 39 remain applicable for fair value hedging of financial asset or financial liabilities portfolio against interest rate fluctuations. The entities may choose between hedge accounting in accordance with IFRS 9, or the existing risk hedging applied under IAS 39: The chosen method must be applied consistently. Although the fundamental methods of financial asset measurement (amortized cost, FVTOCI and FVTPL) are very similar to those prescribed in IAS 39, the criteria applied in determining the relevant method vary significantly. A financial asset is measured at amortized cost when it meets the following criteria: • The assets are held to collect contractual cash flows; and • The asset's contractual cash flows represent 'solely payments of principal and interest' ('SPPI'). Any subsequent fair value changes (inclusive of exchange rate gains or losses) in equity instrument not held for trading, may irrevocably be recognized in OCI. These subsequent changes may never be reclassified to profit or loss. Debt instruments measured at fair value through OCI, interest income, expected credit losses, as well as exchange rate gains or losses, are recognized in profit or loss in the same manner as the assets measured at amortized cost. Remaining gains or losses are recognized in OCI; after their derecognition, they are reclassified to profit or loss. Impairment calculation model in IFRS 9 replaces the impairment model in IAS 39, which also encompasses expected credit losses; the latter means that an entity will be able to recognize an impairment loss even before the loss is incurred. IFRS 9 introduces an approach that aligns hedge accounting more closely with risk management. Various hedging relationships such as fair value, cash flows and net interests in foreign entities remain unchanged however, entities are required to make additional valuation.	The Group does not expect IFRS 9 (2014) to have any significant impact on its consolidated financial statements. In view of the Group's business and financial instruments held, application of IFRS 9, will not change classification or measurement of its financial instruments.

Standard/ Interpretation *[IAS 8.31 (a), 8.31(c)]*	**Nature of upcoming changes in accounting policies** *[IAS 8.31 (b)]*	**Impact on the financial statements** *[IAS 8.30 (b); 31 (e)]*
	The standard introduces new requirements, such as continuation and cessation of risk hedging, and allows entities to account for additional types of risk exposures as hedge items. Entities will be required to make additional and extensive disclosures of risk hedging and the associated activities.	
IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Early adoption is allowed.) Clarifications to IFRS 15: Revenue from contracts with customers, have not been endorsed by the EU. However, EU did endorse IFRS 15 Revenue from contracts with customers inclusive of its effective date.	The new standard introduces a new model that replaces existing guidance for revenue recognition under IFRS. IFRS 15 establishes a five-step model that will apply to the recognition of revenue from customers. Under the new model, revenue is recognized when an entity transfers control over the goods or services to the customer in the amount, which the entity is entitled to. Providing qualifying criteria is met, revenues are recognized: • over the period and in a manner that reflects the entity's business; or • when control over goods and services is transferred to the customer. Furthermore, IFRS 15 introduces principles that require an entity to make quality and extensive disclosures for the benefit of the financial statement users regarding the type, amount, timeframe and uncertainty associated with the revenue and cash flows arising from contracts with customers.	Although the initial assessment of the IFRS 15 impact on the Group's consolidated financial statements is currently in progress, the management does not expect the standard to have a significant impact on the Group's financial statements as of the date of its first-time adoption. In view of the Group's business and type of revenues, adoption of IFRS 15 will not change either the timeframe or measurement of its revenue from contracts with customers.

Newly adopted standards and interpretations not yet endorsed by the EU.

Standard/ Interpretation [IAS 8.31 (a), 8.31(c)]	**Nature of upcoming changes in accounting policies** [MRS 8.31 (b)]	**Impact on the financial statements** [IAS 8.30 (b); 31 (e)]
IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Early application is allowed providing, the Group also applies IFRS 15.) Amendments have not yet been endorsed by the EU.	*IFRS 16 replaces IAS 17 Leases and related interpretations. The standard abolishes the existing model of lease recognition as either operating or financial lease, and requires entities to recognise most leases in the statement of financial position using a single accounting model without differentiating between operating and financial leases.* *IFRS 16 states that a lease contract is any contact granting the right to use an asset over a set period of time in exchange for payment. Based on the new model, a lessee is required to recognize the right to use an asset as well as a lease liability. The right to use an asset is amortized and the relevant interest is added to the lease liabilities. The result is a concentrated sample of costs for most of leases even if a lessee makes fixed annual lease payments.*	The Group estimates that as of the date of its first-time adoption, the standard will not have any significant impact on its consolidated financial statements.

Standard/ Interpretation [IAS 8.31 (a), 8.31(c)	**Nature of upcoming changes in accounting policies** [MRS 8.31 (b)]	**Impact on the financial statements** [IAS 8.30 (b); 31 (e)]
	The new standard introduces a number of limited exemptions for lessees, including: • *leases with duration of 12 months or less without the put option, and* • *leases where the relevant asset is of low value (low cost/low cost leases/small ticket leases).* *The new standard brings no significant changes to lessor accounting as the lessor will have to continue to distinguish between operating and financial leases.*	
IFRS 14 - Regulatory Deferral Accounts	IFRS 14 is an optional standard and permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.	The Group estimates that as of the date of its first-time adoption, the standard will not have any significant impact on its consolidated financial statements.

Annual improvements to standards and interpretations 2014-2016 Cycle

Standard/ Interpretation [IAS 8.31 (a), 8.31(c)]	**Nature of upcoming changes in accounting policies** [MRS 8.31 (b)]	**Impact on the financial statements** [IAS 8.30 (b); 31 (e)]
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018. Amendments should be applied retrospectively. Early application is allowed.) Amendments have not yet been endorsed by the EU.	Amendments clarify the following share-based payment transactions: • effects of vesting and non-vesting conditions for measurement of cash settled share-based payments; • share-based payments with a net settlement feature for withholding tax obligations; and • conditions for a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	The management does not expect the amendments to have a significant impact on its consolidated financial statements, as the Group does not enter into transactions with share-based payments.

Amendments to IFRS 4: IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2021. Amendments should be applied retrospectively.) Amendments have not yet been endorsed by the EU.	The amendments address concerns arising from implementing the new financial instruments standard IFRS 9, before implementing the new standard that the Board is developing to replace IFRS 4. The amendments introduce two options: First is a temporary exemption from applying IFRS 9, (a deferral approach). The second (an overlay approach) introduces a different approach to mitigate instability that may arise from the application of IFRS 9 before the implementation of the new insurance standard.	The Group does not offer insurance contracts and expects the amendment will not have any impact on its consolidated financial statements.
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (The IFRIC has not yet set the effective date; early adoption is permitted.)	Amendments clarify that the amount of recognized gain or loss on transactions with associates or joint ventures depends on whether the asset sold or contributed is a part of a transaction where: • total gain or loss is recognized when a transaction between the investor and its associate or a joint venture involves a business (whether it is housed in a subsidiary or not), whereas a partial gain or loss is recognized when a transaction between the investor and its associate or a joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	The Group does not expect the new standard to have a significant impact on its consolidated financial statements as at the date of first-time adoption, as the Group does not have any interests in associates or joint ventures.
Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017. Amendments should be applied retrospectively. Early application is allowed.) Amendments have not yet been endorsed by the EU.	The objective of the Amendments is to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (e.g. the effect of changes in foreign exchange rate, changes arising from obtaining or losing control of subsidiaries or other businesses, changes in fair value, etc.).	The Group does not expect the amendments to have a significant impact on its consolidated financial statements as of the day of the first-time adoption.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Effective for annual periods beginning on or after 1 January 2017. Amendments should be applied retrospectively. Early application is allowed.) Amendments have not yet been endorsed by the EU.	The objective of the Amendments is to clarify how and when entities should account for deferred tax assets and how to determine the amount of future taxable profit in order to consider recognition of deferred tax assets.	Skupina predvideva, The Group does not expect the amendments to have a significant impact on its consolidated financial statements as of its first-time adoption, as the Group is already measuring its taxable profits as required by the amendment.

Standard/ Interpretation [IAS 8.31 (a), 8.31(c)]	**Nature of upcoming changes in accounting policies** [MRS 8.31 (b)]	**Impact on the financial statements** [IAS 8.30 (b); 31 (e)]
Amendments to IAS 40 Investment Properties (Effective for annual periods beginning on or after 1 January 2018. Amendments should be applied prospectively. Amendments have not yet been endorsed by the EU.	Amendments establish the principle from IAS 40 *Investment Propertiesrelating* to transfers in or out of investment properties. The amendments clarify that a transfer is made only when a change in use of the property occurs. Thus, transfer is made only when a change in the use occurs, i.e. when the property meets or ceases to meet the definition of investment property and there is evidence of a change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements as of the date of the first-time adoption, as the Group holds no investment properties.
IFRIC 22 *Foreign Currency Transactions and Advance Considerations* (Effective for annual periods beginning on or after 1 January 2018. Amendments have not yet been endorsed by the EU.	The interpretation clarifies that the date of the transaction, for the purpose of determining the exchange rate applied on the initial recognition of the related asset, expense or revenue)or of its part) upon derecognition of a non-monetary prepayment asset or deferred income liability in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining exchange rate, is the date of initial recognition of the non-monetary prepayment asset or a deferred income liability.	The Groups estimates that the amendment will not have a significant impact on its consolidated financial statements as of the date of the first-time adoption, as on initial recognition of non-monetary prepayment assets or deferred income liability the Group applies exchange rate prevailing on the transaction date.
Amendments to IFRS 1 First-time Adoption of IFRS (Effective for annual periods beginning on or after 1 January 2018.)	The amendments delete the short-term exemptions regarding disclosures in paragraphs E3-E7 of IFRS 1, as they are no longer required.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.
Amendments to IFRS 12 Disclosure of shares in other companies (Effective for annual periods beginning on or after 1 January 2017.)	The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.

Annual Improvements to IFRS

Improvements to IFRS 2014-2016 cycle published on 8 December 2016 introduce amendments to two standards and subsequent amendments to other standards and interpretations, resulting in accounting changes relating to the presentation, recognition and measurement. Amendments to IFRS 12 *Disclosure of interests in other entities* are effective for annual periods beginning on or after 1 January 2017, whereas amendments to IAS 28 *Investments in associated and joint ventures* are effective for annual periods beginning on or after 1 January 2018. Early application is allowed.

2.3 Notes to the Financial Statements

	31.12.2016	EUR 31.12.2015
1. Intangible assets	**6,088,649**	**6,060,190**
Concessions, trademarks and licences	132,649	104,190
Goodwill	5,956,000	5,956,000

Changes in intangible assets in 2016 are presented below (in EUR):

	Concessions, patents	Goodwill	Total
1. Cost			
At 1 Jan 2016	214,595	5,956,000	6,170,595
Currency fluctuation	53,737	0	53,737
Increase	0	0	0
Decrease	0	0	0
At 31 Dec 2016	268,332	5,956,000	6,224,332
2. Accumulated			
At 1 Jan 2016	-110,405	0	-110,405
Currency fluctuation	60	0	60
Increase	-25,338	0	-25,338
Decrease	0	0	0
At 31 Dec 2016	-135,683	0	-135,683
3. Carrying amount			
At 1 Jan 2016	104,190	5,956,000	6,060,190
At 31 Dec 2016	132,649	5,956,000	6,088,649

The items of concessions, patents and trademarks amounting to €132,747 include licences for the use of telecommunications equipment.

Amortization rates are determined for each individual item of intangible assets based on its assessed useful life.

Goodwill amounting to €5,956,000 is the difference that arose on merger by acquisition of Modra investicija d.o.o. on 28 June 2006. Goodwill is measured at cost less accumulated impairment losses. At the end of each financial year, the parent company obtains assessment of the fair value of goodwill from a certified appraiser of companies. If an estimated recoverable amount of goodwill on the valuation date is below its recoverable amount on the acquisition date, goodwill is reduced by the amount of goodwill impairment loss. Recoverable amount of goodwill is assessed based on value in use, determined as the present value of expected free cash flows, while considering relevant assumptions of future business operations of the company.

The main valuation assumptions:

- WACC: 9.2%
- Cash flow forecast period: 2017-2021,
- Average nominal annual growth rate in gross cash flow: 1.5%.

Goodwill impairment test of the parent Akton d.o.o. was made in accordance with IAS 36. The impairment test showed that the recoverable amount of goodwill is in excess of the value of non-current assets (i.e. total equity) of the cash-generating unit and no goodwill impairment is necessary.

Goodwill sensitivity analysis (in EUR thousand):

	Amount	Difference
Change in discount rate		
Increase by 0.50%	9,197,4	-6%
Decrease by 0.50%	10,562,7	7%
Change in long-term growth rate		
Increase by 0.50%	10,080,0	2%
Decrease by 0.50%	9,621,4	-2%
Change in return		
NOPLAT increase by 5.00%	10,450,4	6%
NOPLAT decrease by 5.00%	9,221,2	-6%
Investment change		
CAPEX increase by 5.00%	9,610,9	-2%
CAPEX decrease by 5.00%	10,060,7	2%
Ceiling	**10,288**	**4.6%**
Minimum threshold	**9,413**	**-4.3%**

Recoverable amount of non-current assets (total equity) DUE Akton d.o.o. is based on the value in use, estimated at €9,836,000,000 as at 31 December 2016.
The Company reports no financial commitments for acquisition of intangible assets.

Changes in intangible assets in 2015 are presented below (in EUR):

	Concessions, patents	Goodwill	Total
1. Cost			
At 1 Jan 2015	221,327	5,956,000	6,177,327
Currency fluctuations	-10	0	-10
Increase	14,475	0	14,475
Decrease	-21,197	0	-21,197
At 31 Dec 2015	214,595	5,956,000	6,170,595
2. Accumulated			
At 1 Jan 2015	-110,101	0	-110,101
Currency fluctuations	8	0	8
Increase	-21,509	0	-21,509
Decrease	21,197	0	21,197
At 31 Dec 2015	-110,405	0	-110,405
3. Carrying amount			
At 1 Jan 2015	111,226	5,956,000	6,067,226
At 31 Dec 2015	104,190	5,956,000	6,060,190

	31.12.2016	31.12.2015
		EUR
2. Property, plant and equipment	**738.071**	**803.417**

Changes in property, plant and equipment in 2016 (in EUR):

	Other plant and equipment	Property, plant and equipment under construction	Total
1. Cost			
At 1 Jan 2016	2,684,164	1,880	2,686,044
Currency fluctuation	394,179	0	394,179
Increase	216,712	1,230	217,942
Decrease	-37,219	0	-37,219
At 31 Dec 2016	3,257,836	3,110	3,260,946
2. Accumulated depreciation			
At 1 Jan 2016	-1,882,627	0	-1,882,627
Currency fluctuation	-390,927	0	-390,927
Increase	-279,533	0	-279,533
Decrease	30,212	0	30,212
At 31 Dec 2016	-2,522,875	0	-2,522,875
3. Carrying amount			
At 1 Jan 2016	801,537	1,880	803,417
At 31 Dec 2016	734,961	3,110	738,071

Changes in property, plant and equipment in 2015 (in EUR):

	Other plant and equipment	Property, plant and equipment under construction	Total
1. Cost			
At 1 Jan 2015	2,522,478	0	2,522,478
Currency fluctuation	-348	0	-348
Increase	193,799	1,880	195,679
Decrease	-31,765	0	-31,765
At 31 Dec 2015	2,684,164	1,880	2,686,044
2. Accumulated depreciation			
At 1 Jan 2015	-1,606,616	0	-1,606,616
Currency fluctuation	2,791	0	2,791
Increase	-306,586	0	-306,586
Decrease	27,784	0	27,784
At 31 Dec 2015	-1,882,627	0	-1,882,627
3. Carrying amount			
At 1 Jan 2015	915,862	0	915,862
At 31 Dec 2015	801,537	1,880	803,417

Depreciation rates are determined for each individual item of property, plant and equipment separately, based on its useful life.

No items of property, plant and equipment were acquired under finance lease, and none were pledged as collateral for liabilities.

The negative difference between the opening and closing balance in the amount of - €65,346 is due to the following:

- additions in 2016: €217,942
- currency fluctuations in 2016: €3,252
- depreciation in 2016: - €279,533
- disposals in 2016: - €3,586 (carrying amount)
- write-offs in 2016: - €3,421 (carrying amount).

The Group reports no financial commitments for acquisition of property, plant and equipment.

		EUR
	31.12.2016	31.12.2015
3. Non-current investments	**2,515,732**	**200,000**
Other shares and interests	2,514,441	200,000
Other non-current investments	1,291	0

Other shares and interests of €2,514,441 relate to the investment in an 84.95% holding of ATEL EUROPE B.V.

		EUR
	31.12.2016	31.12.2015
4. Short-term investments	**1,502,846**	**0**
Short-term loans to others	1,502,846	0

The Group extended a short-term loan of €1,502,846 to the owner of the parent company. The loan was granted at the interest rate recognized for transactions between related parties. The loan is not collateralized.

		EUR
	31.12.2016	31.12.2015
5. Short-term operating receivables	**6,216,593**	**6,289,827**
Trade receivables	5,388,113	5,310,104
Short-term operating receivables due from others	828,480	979,723
Trade receivables	**5,388,113**	**5,310,104**
Receivables not past due	4,050,984	3,759,132
Past due up to 60 days – not impaired	1,092,686	1,341,744
Past due more than 60 days – not impaired	244,443	209,228
Past due more than 60 days - impaired	0	26,587
Receivable impairment	0	-26,587
Impairment and write-off of receivables past due	8,208	12,832

In 2016, the parent company wrote-off €276 of trade receivables, while Akton Croatia wrote-off trade receivables of total €7,932.

Short-term operating receivables due from others	**828,480**	**979,723**
Due from the state – not past due	645,348	589,944
Other receivables – not past due	183,132	49,901
Receivables due from a local legal entity - disputed	0	339,878

6. Equity	31.12.2016	31.12.2015
		EUR
6. Equity	**8,168,973**	**7,303,565**
Share capital	4,915,686	4,915,686
Share premium	1,834,224	1,834,224
Profit reserves	6,621	6,621
Translation reserve	-29,216	-31,582
Retained earnings	1,441,658	578,616

Share premium of €1,834,224 is the surplus of paid-in capital. The share premium is to be used under the terms and purposes as defined by the applicable regulation.
Profit reserves are legal reserves.

Retained earnings increased on account of €863,042 of profit generated in 2016.

	31.12.2016	31.12.2015
		EUR
Changes in profit available for distribution/ accumulated losses are presented below:		
Net profit/loss for the year	863,042	1,053,310
Accumulated loss b/f	578,616	-474,694
Distributable profit at year-end	**1,441,658**	**578,616**

	31.12.2016	31.12.2015
		EUR
7. Short-term financial liabilities	**860,164**	**241,370**

Short-term financial liabilities comprise payables to banks and include:

- current amounts of long-term borrowings which mature in 2017 (€574,500) and bear interest at the market rates; and
- Utilized amount of framework borrowings raised from a local bank, which bear interest at the market rate. The parent company pledged its receivables as collateral for the borrowings.
- Other short-term financial liabilities to banks of €185.

As at 31 December 2016, the Company reports approved but not utilized framework borrowings of €1,400,000 from a Slovene bank, which bear interest at market rates. The parent company pledged its receivables as collateral for the two borrowings. In addition, the Company reports approved but not utilized overdraft facility agreed with a local bank of total €465,000. The overdraft facility bears interest at market rates and is collateralized with the receivables.

	31.12.2016	EUR 31.12.2015
8. Short-term operating liabilities	**6,738,184**	**6,293,173**
Supplier payables	5,958,120	5,626,794
Short-term operating liabilities from advances	487	188
Other short-term operating liabilities	779,577	666,191

	31.12.2016	EUR 31.12.2015
Supplier payables	**5,958,120**	**5,626,794**
Not past due	5,361,000	5,160,357
Past due up to 60 days	393,175	404,782
Past due in excess of 60 days	203,945	61,655

	31.12.2016	EUR 31.12.2015
9. Other liabilities	**1,368,344**	**85,174**
Accrued costs and expenses	245,361	49,809
Short-term deferred revenue	1,122,983	35,365

	31.12.2016		EUR 31.12.2015
10. Net sales revenue	**52,453,217**	**100.00%**	**51,798,168**
Sales on the local market	13,550,395	25.83%	3,629,420
Sales on foreign markets	38,902,822	74.17%	48,168,748

Table below is presentation of expected rental income from future payments of irrevocable leases.

	31.12.2016	EUR 31.12.2015
Expected rental income	**1,127,669**	**37,620**
Up to 1 year	1,127,669	37,620
More than 1 and less than 5 years	0	0
More than 5 years	0	0

			EUR
	31.12.2016		31.12.2015
11. Costs	**51,408,408**	**100.00%**	**50,474,185**
Costs of goods and materials sold and costs of materials consumed	123,067	0.24%	132,028
Costs of services	48,561,866	94.46%	47,800,533
Employee benefit cost	2,397,966	4.66%	2,157,016
Write-downs	308,588	0.60%	356,698
Other operating expenses	16,921	0.03%	27,910

			EUR
	31.12.2016		31.12.2015
Costs of services	**48,561,866**	**100.00%**	**47,800,533**
Telecommunications services	42,199,909	86.90%	42,368,184
Rent	5,237,192	10.78%	4,378,691
Costs of other services	1,124,765	2.32%	1,053,658

Stroški telekomunikacijskih storitev in drugih storitev se v letu 2016 glede na leto 2015 niso bistveno spremenili, stroški najemnin pa so se glede na leto 2015 povečali za 19,61%.

There was no major change in the costs of telecommunications and other services in 2016 compared to the previous year; however, costs of rent increased by 9.61% compared to 2015 figures.

Minimum rent payments on operating lease (the Company as the lessee) at the year-end .

		EUR
	31.12.2016	31.12.2015
Expected operating lease liabilities	**496,750**	**481,077**
Up to 1 year	390,996	303,262
More than 1 and less than 5 years	105,754	174,927
More than 5 years	0	2,888

		EUR
	31.12.2016	31.12.2015
Employee benefit cost	**2,397,966**	**2,157,016**
Payroll costs	1,776,586	1,616,943
Pension insurance costs	253,916	211,243
Other social insurance costs	218,323	204,254
Other costs of labour	149,141	124,576

At the year-end, the Akton Group employed a total of 61 staff.

	31.12.2016	EUR 31.12.2015
Total remuneration of the Management Board and Managers with individual contracts of employment:	**428,504**	**470,036**
Members of the Management Board/Company directors	139,669	362,770
Managers with individual contract of employment	568,173	107,266

	31.12.2016	EUR 31.12.2015
Write-downs	**308,588**	**356,698**
Amortization and depreciation	304,871	328,095
Revaluation operating expenses from fixed assets	0	0
- write-off of FA (Note 2)	3,421	0
- write-off of goodwill	0	0
Revaluation operating expenses associated with current assets	296	28,603
- receivable allowances	276	26,914
- write-off of unusable/damaged inventory of materials	19	1,689

	31.12.2016	EUR 31.12.2015
12. Contingent assets and liabilities, and other off balance sheet items	**3,237,164**	**3,634,996**
Bank guarantees	1,092,626	2,293,315
Contingent liabilities to local suppliers	2,144,538	1,341,681

Bank guarantees in total €1,092,626 were issued as collateral for supplier payables. These relate exclusively to transactions in the region where market rules require bank guarantee as collateral. These bank guarantees are largely a requirement in order to gain access to the inter-operator segment, and available only to serious and solvent operators.

Contingent receivables due from a local supplier A1 Slovenija, d.d. (former Si.mobil, d.d.) of €1,882,278 originated in 2009 when the supplier issued invoices in contravention of AKOS regulations and Slovene legislation, purposely delayed the setting up of internet connections and expansion of internet capacities and by doing so, harming Akton commercially. Management of Akton has appropriate basis for recovery of damages inclusive of default interest. In a partial judgement of one of the legal actions made in 2016, the Supreme Court ruled in favour of Akton. This is an additional and direct foundation for other pending legal actions involving Akton.

The potential claim against the FURS of €262,260 relates to overstated amount of current tax due to the non-recognition of expenses resulting from impairment of goodwill in the period 2007-2010. In 2016, the Supreme Court decided in favour of the Company stating, among other things, that the FURS was in material error in its decision-making. Thus, the FURS will have to decide on the matter again.

13. Adjustments to the statement of financial position on transition to IFRS and error correction:

EUR	Audited in accordance with SAS	Adjustment to IFRS/error correction	IFRS	Audited in accordance with IFRS
	31.12.2015		31.12.2015	31.12.2016
Assets	**14,565,725**	**0**	**14,565,725**	**17,315,655**
A. Non-current assets	**7,075,509**	**0**	**7,075,509**	**9,368,946**
I. Intangible assets	6,069,758	-9,568	6,060,190	6,088,649
II. Property, plant and equipment	803,417	0	803,417	738,071
III. Non-current investments	200,000	0	200,000	2,515,732
IV. Other assets	0	9,568	9,568	26,494
V. Non-current operating receivables	2,334	0	2,334	0
B. Current assets	**7,490,216**	**0**	**7,490,216**	**7,946,709**
I. Inventories	4,394	0	4,394	5,245
II. Short-term investments	0	0	0	1,502,846
III. Short-term operating receivables	6,289,827	0	6,289,827	6,216,593
IV. Other receivables	57,347	0	57,347	72,499
V. Cash and cash equivalents	1,138,648	0	1,138,648	149,526
Equity and liabilities	**14,565,725**	**0**	**14,565,725**	**17,315,655**
A. Equity	**7,303,565**	**0**	**7,303,565**	**8,168,973**
I. Called-up capital	4,915,686	0	4,915,686	4,915,686
II. Share premium	1,834,224	0	1,834,224	1,834,224
III. Profit reserves	6,621	0	6,621	6,621
IV. Translation reserve	-31,582	0	-31,582	-29,216
V. Retained earnings	-474,694	0	-474,694	578,616
VI. Net profit or loss for the year	1,053,310	0	1,053,310	863,042

B. Provisions	**0**	**0**	**0**	**21,863**
C. Non-current liabilities	**574,500**	**0**	**574,500**	**150,000**
I. Non-current financial liabilities	574,500	0	574,500	0
II. Non-current operating liabilities	0	0	0	150,000
D. Short-term liabilities	**6,687,660**	**0**	**6,687,660**	**8,974,819**
I. Short-term financial liabilities	241,370	0	241,370	860,164
II. Short-term operating liabilities	6,293,173	0	6,293,173	6,738,184
III. Short-term income tax payable	67,943	0	67,943	8,127
IV. Other liabilities	85,174	0	85,174	1,368,344

On transition to IFRS, adjustments to the statement of financial position were made only in relation to non-current accruals, which in accordance with IFRS are not an item of intangible assets, but other assets. Other receivables comprise accrued revenues, while other liabilities include deferred costs and expenses.

14. Adjustments to the statement of profit and loss financial on transition to IFRS

EUR	Audited in accordance with SAS I-XII 2015	Adjustment to IFRS/error correction	IFRS I-XII 2015	Audited in accordance with IFRS I-XII 2016
1. Net sales revenue	51,798,168	0	51,798,168	52,453,217
2. Other operating revenue (including revaluation revenue)	45,430	61,166	106,596	42,408
3. Costs of goods, materials and services	-47,932,561	0	-47,932,561	-48,684,933
4 Employee benefit costs	-2,157,016	0	-2,157,016	-2,397,966
5 Write-downs	-356,698	0	-356,698	-308,588
6 Other operating expenses	-13,448	-14,462	-27,910	-16,921
Operating profit or loss	**1,383,875**	**46,704**	**1,430,579**	**1,087,217**
8. Financial income from loans granted	3	0	3	1
9. Financial income from operating receivables	87,509	0	87,509	21,769
10. Financial expenses from financial liabilities	-48,934	0	-48,934	-44,983
11. Financial expenses from operating liabilities	-216,265	0	-216,265	-25,038
Financial profit or loss	**-177,687**	**0**	**-177,687**	**-48,251**
Total profit or loss before tax	**1,206,188**	**46,704**	**1,252,892**	**1,038,966**
12. Other revenue	61,166	-61,166	0	0
13. Other expenses	-14,462	14,462	0	0
14. Income tax payable	-199,582	0	-199,582	-175,924
Net profit or loss for the year	**1,053,310**	**0**	**1,053,310**	**863,042**

On transition to IFRS, the Group transferred extraordinary revenue and expenses to other operating revenues (€61,166) and other operating expenses (€14,462).

15. Related party transactions

According to the criteria of the relevant International Accounting Standard, the following are considered related parties of the AKTON Group:

- Director of the parent company: Igor Košir,
- Directors of subsidiaries: Željko Beker, Mladen Rifelj, Veselin Zuković, Viktor Risteski,
- Holder of procuration: Miha Novak,
- and their immediate family members.

Balance of receivables and liabilities between related parties as at 31 Dec 2016 (EUR):

Related parties	Operating receivables	Operating liabilities	Loans granted	Borrowings
Members of the management and their related parties	0	124,410	0	0

Balance of receivables and liabilities between related parties as at 31 Dec 2015 (EUR):

Related parties	Operating receivables	Operating liabilities	Loans granted	Borrowings
Members of the management and their related parties	1,398	119,912	0	0

Transactions concluded between related parties in 2016 (EUR):

Related parties	Operating revenue	Operating costs	Financial income	Financial expenses
Members of the management and their related parties	0	653,996	0	0

Transactions concluded between related parties in 2015 (EUR):

Related parties	Operating revenue	Operating costs	Financial income	Financial expenses
Members of the management and their related parties	21	574,072	0	0

16. Notes to the risk management

Currency risk

In 2016, the Group issued invoices in the following foreign currencies and amounts: USD 802,020; GBP 6,500; and HRK 39,556; and received invoices totalling USD 1,520,215.

The Group purchases US$ on the market whilst constantly monitoring fluctuation of international exchange rate for the currency. Transactions with services denominated in US$ are monitored daily in order to mitigate the risk. Our sales division applies current US$ exchange rate with the relevant discount which further reduces the risk.

Exposure to the risk of foreign exchange rate fluctuations:

(EUR) 2016	EUR*	USD	GBP	HRK
Loans granted	1,502,846	0	0	0
Trade receivables	5,178,688	209,425	0	0
Supplier payables	5,760,464	196,772	526	358
Borrowings	860,164	0	0	0
Net exposure of the statement of financial position	**60,906**	**12,653**	**-526**	**-358**

* As the functional currency, EUR presents no exposure to the risk of foreign exchange rate fluctuations.

(EUR) 2015	EUR	USD	GBP	HRK
Loans granted	0	0	0	0
Trade receivables	5,264,124	45,980	0	0
Supplier payables	5,537,043	88,405	613	733
Borrowings	240,080	0	0	0
Net exposure of the statement of financial position	**-512,999**	**-42,425**	**-613**	**-733**

* As the functional currency, EUR presents no exposure to the risk of foreign exchange rate fluctuations.

Exchange rates used in conversion of the statement of financial position items:

For 1 EUR	31.12.2016	31.12.2015
USD	1.0541	1.0887
GBP	0.85618	0.73395
HRK	7.5597	7.6380

The above exchange rates used in the conversion of the balance sheet items as at 31 December 2016, are equal to the ECB exchange rates of those currencies on the last day of the year.

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to meet its obligations thus causing the Group to incur a financial loss. With respect to other financial assets, such as cash and financial assets classified as available-for-sale, the Group's exposure to credit risk arises mainly from the counterparty's default risk, whereby the maximum exposure is equal to the carrying amount of these financial instruments.

The Group's exposure to credit risk is not significant.

Liquidity risk

Liquidity risk is the risk of the Group having difficulties in raising sufficient funds required for the settlement of its financial obligations.

The Group manages its liquidity risk by monitoring the liquidity of assets and liabilities and by regular planning of its cash flows, whereby the Group considers maturity of its financial assets and investments together with the planned outflows from its business operations. Through daily monitoring of liquidity needs we try to optimize allocation of funds per individual group company. An open revolving line provides the Group with sufficient security to meet its needs and therefore, we do not expect any major liquidity risks.

(EUR) 2016	No maturity	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	149,526	0	0	0	0	0	149,526
Short-term loans	0	0	0	1,502,846	0	0	1,502,846
Other shares and interests	2,514,441						2,514,441
Other in-vestments	0	0	0	0	1,291	0	1,291
Total	**2,663,967**	**0**	**0**	**1,502,846**	**1,291**	**0**	**4,168,104**
Borrowings and other interest bearing debt	0	0	285,664	574,500	0	0	860,164
Operating liabilities	0	0	6,746,311	150,000	0	0	6,896,311
Total	**0**	**0**	**7,031,975**	**724,500**	**0**	**0**	**7,756,475**

(EUR) 2015	No maturity	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Cash and cash equivalents	1,138,648	0	0	0	0	0	1,138,648
Other shares and interests	0	0	0	0	200,000	0	200,000
Total	**1,138,648**	**0**	**0**	**0**	**200,000**	**0**	**1,338,648**
Borrowings and other interest bearing debt	0	0	0	241,370	574,500	0	815,870
Operating liabilities	0	0	6,361,116	0	0	0	6,361,116
Total	**0**	**0**	**6,361,116**	**241,370**	**574,500**	**0**	**7,176,986**

Interest rate risk

Interest rate risk is the risk of the fluctuating value of financial instruments and cash flows due to changes in market interest rates. In 2016, the Group raised two short-term borrowings from banks. The Group's exposure to interest rate risk as of 31 December 2016 arises from a potential increase in the EURIBOR reference interest rate on borrowings agreed at a variable interest rate.

Exposure to the currency risks:

EUR	31.12.2016	31.12.2015
Financial instruments at variable interest rates	**-860,164**	**-241,370**
Financial assets	0	0
Financial liabilities	860,164	241,370
Financial instruments at fixed interest rates	**1,502,846**	**0**
Financial assets	1,502,846	0
Financial liabilities	0	0

Interest rate exposure of financial instruments at variable interest rate:

EUR	Interest rate increase/decrease	Impact on profit before tax
2016		
EUR	+ 100 bt	-8,602
EUR	- 100 bt	8,602
2015		
EUR	+ 100 bt	-2,414
EUR	- 100 bt	2,414

17. Subsequent events

In February 2017, the parent company co-founded a subsidiary Akton Gambia Ltd. through a co-ownership share.

In April 2017, the parent company restructured its short-term bank borrowings to long-term maturing in 2020.

No events have occurred after the reporting date that would significantly affect the financial statements and require additional procedures to determine whether those events are presented accurately in the financial statements for the year ended 31 December 2017.

2.4 Statement of Management responsibilities

The financial statements were approved by the Management Board on 14 June 2017.

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 Group and of its financial performance for the year ended 31 December 2016.

The Management Board confirms that the appropriate accounting policies were applied consistently, and that the accounting estimates were made under the principle of prudence and the diligence of a good manager. The Management Board also confirms that the consolidated financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the applicable legislation and International Financial Reporting 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 a tax assessment was due, carry out an audit of the company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and levies. The Management Board is not aware of any circumstances that may result in a significant tax liability arising from the Company's ordinary activities.

Direktor:
Igor Košir

Prokurist:
Miha Novak

Ljubljana, 5 September 2017

3. Independent Auditor's Report

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Owners of Akton Group

Opinion

We have audited the consolidated financial statements of Akton Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Akton Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

Other information comprises the information included in the Annual Report other than the consolidated financial statements and auditor's report thereon. Management is responsible for the other information

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit 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 Group's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

• obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

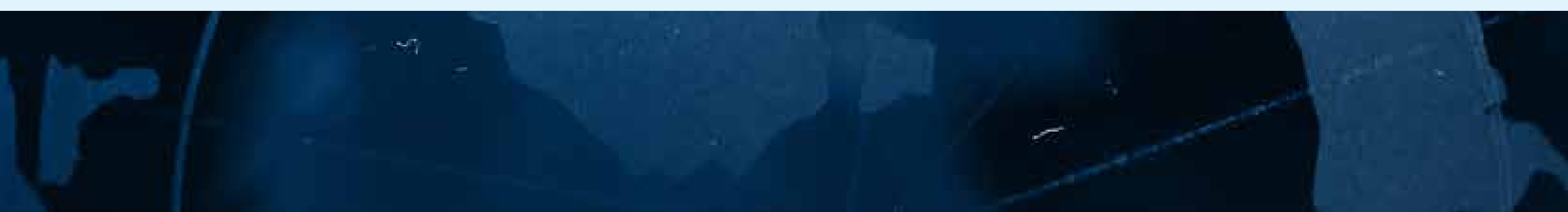
Ljubljana, December 13, 2017

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

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

Lidija Šinkovec
Certified auditor

www.akton.si



Akton communications