

Západoslovenská distribučná, a.s.

**Financial Statements and
Independent Auditor's Report**

31 December 2017

March 2018

Independent Auditor's Report

To the Shareholder, Supervisory Board, and Board of Directors
of Západoslovenská distribučná, a.s.:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Západoslovenská distribučná, a.s. (the "Company") as at 31 December 2017, 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.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Reporting on other information in the annual report

Management is responsible for the annual report prepared in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act"). The annual report comprises (a) the financial statements and (b) other information. Management has not prepared the annual report by the date of our audit report.

Our opinion on the financial statements does not cover the other information.

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The company's ID (IČO) No. 35739347.

Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.

VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.

Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.

The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

When the annual report becomes available to us, our responsibility will be to read the other information identified above and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the annual report, we will also consider whether it includes the disclosures required by the Accounting Act, when it becomes available to us. This will include checking the consistency of the annual report with the financial statements, and whether the annual report has been prepared in accordance with the Accounting Act.

In addition, our updated report will either state that we have nothing to report in respect of the above, or will describe any material misstatements we identified in the annual report based on our knowledge and understanding of the Company and its environment, which we obtained during our audit.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 financial statements


Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing 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 financial statements.

As part of our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Bratislava, 22 March 2018


Mgr. Juraj Tučný, FCCA
UDVA licence No. 1059

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Západoslovenská distribučná, a.s.
Statement of Financial Position

<i>In thousands of EUR</i>	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	983,170	974,811
Intangible assets	7	7,204	6,711
Total non-current assets		990,374	981,522
Current assets			
Inventories	9	811	1,068
Trade and other receivables	10	27,903	31,300
Cash and cash equivalents	12	3,719	1,849
Receivables from cash pooling	11	52,146	29,817
Total current assets		84,579	64,034
TOTAL ASSETS		1,074,953	1,045,556
EQUITY			
Share capital	13	33,227	33,227
Legal reserve fund	14	64,598	58,319
Retained earnings		72,354	69,255
TOTAL EQUITY		170,179	160,801
LIABILITIES			
Non-current liabilities			
Borrowings	8	315,000	630,000
Deferred income tax liabilities	15	86,563	91,606
Post-employment defined benefit obligations	16	7,622	7,736
Other long term employee benefits	17	1,883	1,988
Deferred connection fees and customer contributions	18	75,029	60,543
Total non-current liabilities		486,097	791,873
Current liabilities			
Borrowings	8	319,833	4,833
Trade and other payables	19	89,909	78,786
Deferred connection fees and customer contributions	18	4,742	3,873
Income tax liabilities		4,193	5,390
Total current liabilities		418,677	92,882
TOTAL LIABILITIES		904,774	884,755
TOTAL LIABILITIES AND EQUITY		1,074,953	1,045,556

These financial statements have been approved for issue by the Board of Directors on 22 March 2018.



 Ing. Andrej Juris
 Chairman of the Board of Directors



 Ing. Marian Kapec
 Member of the Board of Directors

Západoslovenská distribučná, a.s.
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of EUR</i>	Note	2017	2016
Revenue	20	502,185	475,130
Transmission fees payable to SEPS and charges for electricity produced from renewable sources		(57,258)	(57,847)
Purchases of electricity for losses and other purchases		(186,097)	(165,809)
Employee benefits	21	(42,198)	(39,965)
Depreciation of property, plant and equipment	6	(65,503)	(67,487)
Amortisation of intangible assets	7	(2,627)	(2,638)
Other operating expenses	22	(61,044)	(62,671)
Other operating income	23	1,917	1,948
Capitalized own costs		17,815	18,443
Profit from operations		107,190	99,104
Finance income / (costs)			
Interest income		26	19
Interest and similar expense	24	(21,129)	(21,337)
Finance costs, net		(21,103)	(21,318)
Profit before tax		86,087	77,786
Income tax expense	15	(21,542)	(14,997)
Profit for the year		64,545	62,789
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Actuarial remeasurements of post-employment defined benefit obligations	16	161	927
Deferred tax on actuarial remeasurements of post-employment defined benefit obligations	15	(34)	(195)
Total other comprehensive income for the year		127	732
Total comprehensive income for the year		64,672	63,521

Západoslovenská distribučná, a.s.
Statement of Changes in Equity

<i>In thousands of EUR</i>	Share capital	Legal reserve fund	Retained earnings	Total equity
Balance at 1 January 2016	33,227	53,889	48,491	135,607
Profit for the year	-	-	62,789	62,789
Other comprehensive income for the year	-	-	732	732
Total comprehensive income for 2016	-	-	63,521	63,521
Paid dividends	-	-	(38,328)	(38,328)
Contribution to legal reserve fund	-	4,430	(4,430)	-
Other	-	-	1	1
Balance at 31 December 2016	33,227	58,319	69,255	160,801
Profit for the year	-	-	64,545	64,545
Other comprehensive income for the year	-	-	127	127
Total comprehensive income for 2017	-	-	64,672	64,672
Dividends declared and paid (Note 13)	-	-	(55,294)	(55,294)
Contribution to legal reserve fund	-	6,279	(6,279)	-
Balance at 31 December 2017	33,227	64,598	72,354	170,179

Západoslovenská distribučná, a.s.
Statement of Cash Flows

<i>In thousands of EUR</i>	Note	2017	2016
Cash flows from operating activities			
Profit before tax		86,087	77,786
Adjustments for non-cash items:			
- Depreciation of property, plant and equipment	6	65,503	67,487
- Loss on disposal of property, plant and equipment	6	202	446
- Amortisation of intangible assets	7	2,627	2,638
- Interest income		(26)	(19)
- Interest and similar expense	24	21,129	21,337
- Other non-cash items		51	(9)
Cash generated from operations before changes in working capital		175,573	169,666
Changes in working capital:			
- Inventories		257	175
- Deferred revenues		(5,905)	(5,103)
- Trade and other receivables		3,397	(5,075)
- Trade and other payables		7,863	17,715
- Provisions for liabilities and charges and deferred income		(132)	400
- Liabilities from cash-pooling		(22,329)	(41,034)
Cash generated from operations before interest and taxes		158,724	136,744
Interest income received		26	19
Interest expense paid		(21,054)	(21,187)
Income tax paid	32	(27,816)	(13,183)
Net cash from operating activities		109,880	102,393
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(51,561)	(62,604)
Interest expense paid and capitalised		(1,563)	(1,431)
Proceeds from sale of property, plant and equipment and intangible assets		408	190
Net cash used in investing activities		(52,716)	(63,845)
Cash flows from financing activities			
Dividends paid	13	(55,294)	(38,328)
Net cash used in financing activities		(55,294)	(38,328)
Net change in cash and cash equivalents		1,870	220
Cash and cash equivalents at the beginning of the year		1,849	1,629
Cash and cash equivalents at the end of the year	12	3,719	1,849

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2017 for Západoslovenská distribučná, a.s. (hereinafter "The Company" or "ZSD").

The Company was incorporated and is domiciled in the Slovak Republic. The Company is a joint stock company limited by shares and was set up in accordance with Slovak legislation in its current legal form on 20 April 2006. The Company was incorporated in the Commercial Register of the District Court Bratislava I on 20 May 2006.

Principal activity. The Company provides electricity distribution and supply services primarily in the Western Slovakia region. From 1 January 2014 it has also been providing investment services, construction, repair, maintenance and operation of the distribution network. From 1 January 2015 its activities included coordination, inspection and administration of communication with customers using services of the company and addressing their requests. These activities were transferred by the Parent company to the subsidiary Západoslovenská distribučná, a.s.

Registered address and place of business. The Company's registered address is Čulenova 6, Bratislava 816 47, Slovak Republic. Its identification number (IČO) is: 36 361 518 and its tax identification number (IČ DPH) is: SK2022189048.

Presentation currency. These financial statements are presented in Euro ("EUR"), rounded to thousands, unless otherwise stated. Negative amounts are presented in brackets.

Ownership structure. Západoslovenská energetika, a.s. owns 100% of the Company's shares. Západoslovenská distribučná, a.s. is included in the consolidated financial statements of Západoslovenská energetika, a.s. ("Parent company").

The Parent company is jointly controlled by E.ON and the Slovak Republic as a result of a shareholders agreement, which requires the parties to act together to direct the activities that significantly affect the returns of the parent company. The Parent company's governance structure dictates that the Parent company Strategic plan shall be approved by representatives of both E.ON and the Slovak Republic. Further, any decisions by general meeting of shareholders must be made jointly by the existing shareholders, because a qualified two thirds majority of votes is required to pass any decision, while restrictions exist for transfer of shares to parties not under control of existing shareholders (refer to Note 13).

The Company is not a shareholder with unlimited liability in other accounting entities.

List of members of the Company's board of directors and of the supervisory board is publicly available from the Commercial Register operated by the Ministry of Justice of the Slovak Republic at www.orsr.sk.

Number of employees. The Company employed 1,292 staff on average during 2017, of which 12 were management (2016: 1,283 employees on average, of which 9 were management).

2 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3).

The Board of Directors may propose to the Company's shareholders to amend the financial statements until their approval by the general shareholders meeting. However, § 16, points 9 to 11 of the Accounting Act No 431/2002 prohibit reopening an entity's accounting records after the financial statements are approved by the general shareholders' meeting.

2 Significant Accounting Policies (continued)

If, after the financial statements are approved, management identifies that comparative information would not be consistent with the current period information, the Accounting Act allows entities to restate comparative information in the reporting period in which the relevant facts are identified.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or costs.

Depreciation. Land and construction in progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Electricity distribution network buildings	30 – 50 years
Office buildings	30 – 50 years
Power lines	15 – 40 years
Switching stations	4 – 20 years
Other network equipment	4 – 20 years
Vehicles	4 – 15 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

2 Significant Accounting Policies (continued)

Intangible assets. Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company, and the cost of the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met: (a) it is technically feasible to complete the software product so that it will be available for use; (b) management intends to complete the software product and use or sell it; (c) there is an ability to use or sell the software product; (d) it can be demonstrated how the software product will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (f) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

At the end of each reporting period management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, management reduces the carrying value to the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

Inventories. Inventories are stated at the lower of acquisition cost and net realizable value. Weighted average method is used for determination of cost of inventories. The cost of material includes purchase price and directly attributable acquisition costs, such as customs duties or transportation costs. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Trade receivables. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, net of provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments (more than 1 month overdue) are considered objective evidence that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is expensed within "other operating expenses".

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against impairment losses within "other operating expenses".

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost.

2 Significant Accounting Policies (continued)

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the share issue.

Business combination under common control. Purchases of subsidiaries from parties under common control are accounted for in accordance with the acquisition method of accounting.

Dividends. Dividends are recorded in equity in the period in which they are declared. The financial statements of the Company are the basis for profit distribution and other appropriations.

Legal reserve fund. The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund were made at 10% of the Company's profit for the year, up to 20% of the share capital. Such funds are not distributable and may only be used to increase share capital or to cover losses.

Loans and other borrowings. Loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and other borrowings are carried at amortized cost using the effective interest method. The liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Current income tax also includes a special levy on profits in regulated industries at a rate of 8.712% per annum on profits from regulated activities. From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax * (revenues from regulated activities/total revenues). In 2016 the special levy applied to profits over EUR 3 million from regulated activities at a rate of 4.356% p.a. The rate of special levy used for the calculation for the years 2017 and 2018 is 8.712% p.a., then for the years 2019 - 2020 the rate 6.54% p.a. applies and 4.356% will apply from 2021. The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

Deferred income tax is recognised using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination and the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the respective reporting period and apply to the period when the related deferred income tax asset will be realised, or the deferred income tax liability will be settled.

2 Significant Accounting Policies (continued)

The special levy on profits is chargeable on profits determined in accordance with Slovak GAAP and hence, a deferred tax in relation to special levy arises only where there is a temporary difference between Slovak GAAP and IFRS carrying values of assets and liabilities. Such deferred taxes arose for the first time in 2016 when the Slovak parliament enacted a law making the levy applicable indefinitely as explained above.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company offsets deferred tax assets and deferred tax liabilities where the Company has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority.

Post-employment and other long term employee benefits. The Company contributes to state and private defined contribution pension and social benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are expensed when incurred.

As agreed with the trade unions, the Company also has (a) a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement, depending on the number of years worked for the Company and (b) an obligation to pay work and life anniversary long service bonuses. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

Actuarial remeasurements on post-employment benefits arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise, and are immediately reclassified to retained earnings in the statement of changes in equity. Actuarial remeasurements of the obligation to pay work and life anniversary long service bonuses are recognised in profit or loss for the year as employee benefits expense when incurred. Past service costs, if any, are expensed when incurred.

As explained in IAS 19, *Employee Benefits*, paragraph 133, the Company does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

Deferred income. Over time, the Company received contributions for the construction of the electricity distribution network, in particular for the new municipal connections and networks. The customers contributed towards the cost of their connection.

Customer contributions are recognised at their fair value where there is a reasonable assurance that the contribution will be received. Customer contributions relating to the acquisition of property, plant and equipment are deferred and subsequently recognised as other operating income over the life of acquired depreciable asset.

Trade payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within less than one year, or within the entity's operating cycle. All other accounts payable are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Significant Accounting Policies (continued)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Leases. The Company is a lessee.

(i) Operating lease

Leases, in which a significant portion of the risks and rewards of the ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (including incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.

(ii) Financial lease

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of the ownership of the asset are classified as financial leases. Financial leases are recognized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest costs are charged to the Statement of Comprehensive Income over the lease period using the effective interest rate method applied to the balance of lease obligation for each period. Property, plant and equipment acquired under finance leases are depreciated over their useful life or the shorter lease term if the Company is not reasonably certain that it will obtain ownership by the end of the lease term.

Provisions / Contingent liabilities. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognised as interest expense.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying the economic benefits is remote.

Revenue recognition. Revenue comprises the fair value of the consideration received or receivable for the electricity distribution and services in the ordinary course of the Company's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria will be met for each of the Company's activities as described below. The amount of revenue is not considered reliably measurable until all contingencies relating to the sale have been resolved.

2 Significant Accounting Policies (continued)

Revenue from distribution of electricity. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria will be met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue from distribution of electricity is recognized when the distribution service is rendered to electricity customers. Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Connection fees. ZSD receives a contribution from their customers to connect them to the electricity network – connection fees. Revenue from such contributions is recognised as deferred income and is released to profit or loss over the useful life of the related assets (approximately over 20 years).

Sales of services. Sales of services are recognised in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Interest income. Interest income is recognised on an accrual basis using the effective interest method.

Contractual penalties. Contractual penalties are recognised when the cash payment is received, because contractual penalties relate to contracts with customers who intended to defraud ZSD and as such are relatively difficult to collect.

Foreign currency translation. These financial statements are presented in thousands of EUR, which is the Company's presentation currency. The functional currency of Company is EUR.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Company from 1 January 2017, but did not have any material impact on the Company:

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The new disclosures are included in Note 28.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

4 New Accounting Pronouncements

Certain new standards, interpretations and amendments have been issued that are mandatory for annual periods beginning on or after 1 January 2018, and which the entity has not early adopted:

IFRS 9, Financial Instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances, magnitude, volumes and methodology that exists at that date, the management of the Company is expecting an impact as of 1 January 2018 in the areas of impairment provisions against trade and other receivables and cash in banks. The expected impact is not material.

No significant changes are expected for financial liabilities, other than changes in the fair value of financial liabilities designated at FVTPL that are attributable to changes in the instrument's credit risk, which will be presented in other comprehensive income.

4 New Accounting Pronouncements (continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014, amended on 12 April 2016 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

In accordance with the transition provisions in IFRS 15 the Company has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the financial statements for the year-ending 31 December 2018 which will be the first year when the Company will apply IFRS 15.

The Company plans to apply the practical expedient available for simplified transition method. The Company applies IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018).

The adoption of IFRS 15 will result in changes in accounting policies and adjustments to be recognised in the financial statements. Based on the analysis of the Company's revenue streams for the year ended 31 December 2017, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, in view of simplified transition method application, the management of the Company is expecting a non-significant impact on its financial statements from the adoption of the new standard on 1 January 2018.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The following standards, interpretations and amendments are not expected to have any material impact on the Company's consolidated financial statements:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

4 New Accounting Pronouncements (continued)

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 Cycle* (issued on 8 December 2016 and effective for annual periods beginning on after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17, Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9* (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28* (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19* (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

* These new standards, amendments and interpretations have not been endorsed by the European union yet.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Unbilled electricity distribution. The unbilled revenue from distribution represent an accounting estimate based on estimated volume of delivered and distributed electricity expressed in MWh for low voltage network and estimated unit price that will be billed in the future. The Company uses a bespoke customer information system Enersim to estimate the unbilled deliveries based on assumed customer demand profiles. This accounting estimate is based on: (a) the estimated volume distributed to households in technical units (MWh) between the date of the last meter reading and the end of the reporting period; (b) the consumption estimate utilising the time patterns of consumption of various customer profiles observed on a sample basis; (c) the estimated losses in the distribution network; and (d) the unit price in EUR/MWh, that will be applied to billing the electricity distribution. Refer to Note 20.

The Company also engaged an independent expert to estimate network losses. Should the estimate of total network losses be lower by 0.1%, representing approximatel 10 GWh of electricity (2016: 10 GWh), with other parameters unchanged, the revenues for commodity and distribution services would increase by EUR 751 thousand (2016: EUR 813 thousand).

Estimated useful life of electricity distribution network. The estimation of the useful lives of network assets is a matter of judgment based on past experience with similar items. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical obsolescence, if any. If the estimated useful life of network assets had been shorter by 10% than management's estimates at 31 December 2017, the Company would have recognised an additional depreciation of network assets of EUR 7,278 thousand (2016: EUR 6,501 thousand).

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows during 2017:

<i>In thousands of EUR</i>		Network Land buildings	Power lines	Switching stations and network equipment	Other assets*	Capital work in progress	Total
Cost at 1 January 2017	27,041	129,936	976,024	351,586	33,407	43,998	1,561,992
Accumulated depreciation and impairment losses	-	(42,111)	(368,248)	(153,341)	(23,481)	-	(587,181)
Carrying amount at 1 January 2017	27,041	87,825	607,776	198,245	9,926	43,998	974,811
Additions	-	-	-	-	-	72,961	72,961
Capitalised borrowing costs**	-	-	-	-	-	1,563	1,563
Transfers	322	6,774	34,295	25,126	2,001	(68,518)	-
Depreciation charge	-	(5,932)	(36,153)	(21,022)	(2,396)	-	(65,503)
Disposals	(5)	-	(18)	(391)	(6)	(242)	(662)
Cost at 31 December 2017	27,358	134,702	1,007,454	370,267	34,133	49,762	1,623,676
Accumulated depreciation and impairment losses	-	(46,035)	(401,554)	(168,309)	(24,608)	-	(640,506)
Carrying amount at 31 December 2017	27,358	88,667	605,900	201,958	9,525	49,762	983,170

* Other assets comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was approximately 3.59 % p.a. for 2017.

In management's judgement the electricity distribution network does not fall in the scope of IFRIC 12, *Service Concession Arrangements*, and it is thus not presented as an intangible asset because (a) the Company is able to sell or pledge the infrastructure assets and (b) the arrangement with the regulator and the Slovak government is not the typical 'build-operate-transfer' concession, but rather a privatisation, which the Information Note 2 to IFRIC 12 indicates falls in the scope of IAS 16, *Property, plant and equipment*. The Company did not pledge any property, plant or equipment as collateral for its borrowings or other financial liabilities at the end of the current and comparative reporting period.

6 Property, Plant and Equipment (continued)

Movements in the carrying amount of property, plant and equipment were as follows during 2016:

<i>In thousands of EUR</i>	Land	Network buildings	Power lines	Switching stations and network equipment	Other assets*	Capital work in progress	Total
Cost at 1 January 2016	26,741	127,411	940,452	339,591	32,752	38,988	1,505,935
Accumulated depreciation and impairment losses	-	(37,297)	(335,092)	(140,585)	(21,177)	-	(534,151)
Carrying amount at 1 January 2016	26,741	90,114	605,360	199,006	11,575	38,988	971,784
Additions	-	-	-	-	-	69,719	69,719
Capitalised borrowing costs**	-	-	-	-	-	1,431	1,431
Transfers	328	3,514	40,020	21,033	1,245	(66,140)	-
Depreciation charge	-	(5,801)	(37,599)	(21,193)	(2,894)	-	(67,487)
Disposals	(28)	(2)	(5)	(601)	-	-	(636)
Cost at 31 December 2016	27,041	129,936	976,024	351,586	33,407	43,998	1,561,992
Accumulated depreciation and impairment losses	-	(42,111)	(368,248)	(153,341)	(23,481)	-	(587,181)
Carrying amount at 31 December 2016	27,041	87,825	607,776	198,245	9,926	43,998	974,811

* Other assets comprise machinery, non-network and administrative buildings, vehicles and other assets.

** Capitalisation rate of borrowing costs was 3.59 % p.a. for 2016.

The Company holds insurance against damages caused by natural disasters up to EUR 313,066 thousand for buildings and up to amount of EUR 545,166 thousand for machinery, equipment, fixtures, fittings and other assets (2016: EUR 306,459 thousand and 536,867 thousand, respectively).

The property, plant and equipment disclosed in movement table above include carrying value of optical lines and related technology leased out under operating leases with carrying value of EUR 2,406 thousand (2016: carrying value of EUR 2,326 thousand). Rental income is presented in Note 23.

At 31 December 2017 the Company holds power lines acquired through finance lease (where the Company is the lessee) with cost of EUR 5,552 thousand, accumulated depreciation of EUR 380 thousand and carrying amount of EUR 5,172 thousand (2016: cost of EUR 4,639 thousand, accumulated depreciation of EUR 232 thousand and carrying amount of EUR 4,406 thousand).

The proceeds from disposal of property, plant and equipment were as follows:

<i>In thousands of EUR</i>	2017	2016
Net book value of disposals	662	636
Loss on disposal of property, plant and equipment (Note 22)	(202)	(446)
Other non-cash movements	(52)	-
Proceeds from disposals	408	190

7 Intangible Assets

Movements in the carrying amount of intangible assets were as follows:

<i>In thousands of EUR</i>	Goodwill	Software and similar assets	Assets not yet available for use	Total
Cost at 1 January 2016	285	10,936	1,099	12,320
Accumulated depreciation and impairment losses	(71)	(4,840)	-	(4,911)
Carrying amount at 1 January 2016	214	6,096	1,099	7,409
Additions	-	-	1,940	1,940
Transfers	-	975	(975)	-
Amortisation charge	(72)	(2,566)	-	(2,638)
Cost at 31 December 2016	285	19,552	2,064	21,901
Accumulated depreciation and impairment losses	(143)	(15,047)	-	(15,190)
Carrying amount at 31 December 2016 and 1 January 2017	142	4,505	2,064	6,711
Additions	-	-	3,120	3,120
Transfers	-	2,486	(2,486)	-
Amortisation charge	(71)	(2,556)	-	(2,627)
Cost at 31 December 2017	285	22,038	2,698	25,021
Accumulated depreciation and impairment losses	(214)	(17,603)	-	(17,817)
Carrying amount at 31 December 2017	71	4,435	2,698	7,204

Assets not yet available for use primarily include software upgrades and improvement of functionality of the customer and the graphical information system. Software and similar assets disclosed in table above include individual projects, which are partially purchased and partially developed by own employees therefore it is not possible to separate the disclosed amounts to those two categories.

8 Borrowings

An overview of borrowings received is presented in the table below:

<i>In thousands of EUR</i>	2017	2016
Non-current		
Borrowings from Západoslovenská energetika, a.s.	315,000	630,000
Total non-current borrowings	315,000	630,000
Current		
Borrowings from Západoslovenská energetika, a.s.	315,000	-
Accrued interest payable within one year	4,833	4,833
Total current borrowings	319,833	4,833
Total borrowings	634,833	634,833

More details about received borrowings are presented in the table below:

<i>In thousands of EUR</i>	Principal	Nominal interest rate	Maturity date
Borrowing 1	315,000	3.04% p.a.	1.10.2018
Borrowing 2	315,000	4.14% p.a.	1.10.2023
Total	630,000		

9 Inventories

<i>In thousands of EUR</i>	2017	2016
Materials and spare parts	811	1,068
Total inventories	811	1,068

The inventory items are shown after provision for slow-moving materials and spare parts of EUR 9 thousand (2016: EUR 8 thousand).

10 Trade and Other Receivables

<i>In thousands of EUR</i>	2017	2016
Trade receivables	12,031	32,751
Accrued distribution fee related to unbilled electricity net of advances from customers	20,538	6,464
Less impairment provision for trade receivables	(7,603)	(8,117)
Trade receivables, net	24,966	31,098
Prepayments	2,937	202
Total trade and other receivables	27,903	31,300

Movements in the impairment provision for trade receivables are as follows:

<i>In thousands of EUR</i>	2017	2016
Provision for impairment at 1 January	8,117	7,987
Impairment loss expense (Note 22)	146	184
Amounts written off during the year as uncollectible	(660)	(54)
Provision for impairment at 31 December	7,603	8,117

The credit quality of trade receivables and amounts due from customers is as follows:

<i>In thousands of EUR</i>	2017	2016
<i>Neither past due nor impaired</i>		
- collected by 31 January after the reporting period	353	27,642
- not collected by 31 January after the reporting period and not overdue	23,603	2,882
- amounts that became overdue after the reporting period	52	36
Total neither past due nor impaired	24,008	30,560
<i>Individually impaired</i>		
1 to 30 days past due	3,202	349
31 to 60 days past due	191	133
61 to 90 days past due	258	121
91 to 120 days past due	98	32
121 to 180 days past due	449	37
181 to 360 days past due	73	90
Over 360 days past due	7,227	7,893
Total individually impaired before provision for impairment	11,498	8,655
Less provision for impairment	(7,603)	(8,117)
Total trade receivables and amounts due from customers, net of provision	27,903	31,098

11 Receivables from Cash Pooling

<i>In thousands of EUR</i>	2017	2016
Receivables from cash pooling	52,146	29,817
Total receivables from cash pooling	52,146	29,817

The Company has concluded with its Parent company cash pooling agreement. Based on this agreement the available cash is managed by Parent company. If the case of additional financing needs the cash from the cash pool is made available to the Company. The interest rate on receivable from cash pooling was 0.4% p.a. (2016: 0.4% p.a.). The interest rate on the liability from cash pooling for 2017 was 0.05% p.a. (2016: 0.05% p.a.). Receivables from cash pooling are neither past nor impaired and management of the Company considers this related party as creditworthy without an increased credit risk. Credit rating of the Parent Company is A- by Standard and Poor's.

12 Cash and Cash Equivalents

<i>In thousands of EUR</i>	2017	2016
Current accounts with banks	3,719	1,849
Total cash and cash equivalents in the statement of financial position	3,719	1,849

The Company has a concentration of cash and cash equivalents balances towards three banks (2016: three banks).

The credit quality of cash and cash equivalents is as follows:

<i>In thousands of EUR</i>	2017	2016
<i>Neither past due nor impaired</i>		
Credit rating A3 by Moody's	3,702	-
Credit rating A2 by Moody's	17	9
Credit rating A1 by Moody's	-	16
Credit rating Baa1 by Moody's	-	1,824
Total cash and cash equivalents	3,719	1,849

13 Share Capital

The Company's registered share capital consists of 10 shares with a nominal value of EUR 3,320 each and 1 share with a nominal value of EUR 33,193,919. The share capital totals of EUR 33,227 thousand. As at 31 December 2017 and at 31 December 2016 all the shares are owned by Západoslovenská energetika, a.s. Each share carries voting right equal to share nominal value.

The general meeting of the Company's shareholders approved the Company's prior year financial statements and declared dividends of EUR 55,294 thousand (2016: dividends of EUR 38,328 thousand). Slovak legislation identifies distributable reserves as retained earnings reported in the separate financial statements of the Company which amount to EUR 72,354 thousand (2016: EUR 69,255 thousand).

Dividend per share represents EUR 552 per share with the nominal value of EUR 3,320 (31 December 2016: EUR 383) and EUR 55,239 thousand per share with the nominal value of EUR 33,194 thousand (31 December 2016: EUR 62,726 thousand).

14 Legal Reserve Fund

The legal reserve fund represents appropriations of profits of the Company required by Slovak legislation.

The Company is obliged to appropriate at least 10% of its profit until the legal reserve fund achieves at least 20% of the Company's share capital. This fund is not distributable and exists to cover future losses.

15 Income Taxes

Income tax expense comprises the following:

<i>In thousands of EUR</i>	2017	2016
Current tax at standard rate of 21% (2016: 22%)	21,670	18,584
Income tax related to prior periods	-	15
Special levy on profits from regulated activities	4,949	3,239
Deferred tax	(5,077)	(6,841)
Income tax expense/(credit) for the year	21,542	14,997

In 2017, the applicable standard income tax rate was 21% (2016: 22%). From 2017 new methodology for calculating of the special levy applies, where the basis for the special levy is calculated as profit before tax per Slovak GAAP * (revenues from regulated activities/total revenues). In 2016 the special levy applied to profits over EUR 3 million from regulated activities at a rate of 4.356% p.a. The rate of special levy used for the calculation for 2017 and 2018 is 8.712% p.a., then for the years 2019 - 2020 the rate of 6.54% p.a. applies and 4.356% will apply from 2021.

The levy is a deductible expense for the purposes of applying the standard corporate income tax rate.

15 Income Taxes (continued)

As a result, the income tax rate applicable to regulated activities is as follows:

	2017	2016
Standard income tax rate for the year	21.000%	22.000%
Special levy rate	8.712%	4.356%
Effect of deductibility of special levy from standard rate*	(2.381)%	(1.100)%
Tax rate applicable on profits generated by regulated industry operations	27.331%	25.256%

* the effect is calculated as $\text{special levy rate in \%} \times ((1 - \text{income tax rate in \%}) / (1 + \text{special levy rate in \%}) - 1)$

The Company includes activities taxed at the standard tax rate of 21% (2016: 22%) or at the 27.331% rate applicable to regulated industry operations. The applicable tax rate of 25.368% (2016: 25.256%) is used in the below effective tax reconciliation and represents a weighted average of the tax rates for regulated and unregulated activities. The applicable tax rate changed compared to prior year due to changes in the special levy rate and in the mix of profits from regulated and unregulated industry operations. A reconciliation between the reported income tax charge and the theoretical amount that would arise using the applicable tax rates is as follows:

<i>In thousands of EUR</i>	2017	2016
Profit before tax	86,087	77,786
Theoretical tax charge at applicable tax rate of 25.368% (2016: 25.256%)	21,839	19,646
<i>Non-deductible expenses / (non-taxable income) for which deferred tax was not recognised:</i>		
- expenses not deductible for standard tax but deductible for special levy purposes	(783)	(267)
Income tax related to prior periods	-	15
Effect of the first EUR 3 million exempt from special levy	-	(98)
Effect on deferred taxes of change in standard tax rate to 21% from 1 January 2017	-	(4,362)
Effect on deferred taxes of extension of special levy for indefinite period	9	(653)
Other	477	716
Income tax expense for the period	21,542	14,997

The deferred taxes are expected to be recovered or settled after more than twelve months after the end of the reporting period because income tax returns are due annually, that is, the deferred tax outstanding at 31 December 2017, that will become current tax in 2018, will be settled in 2019 upon filing the 2018 tax return. The corporate tax advance payments are calculated based on prior year taxes and are thus unrelated to deferred tax balances or the current tax expense expected for subsequent years.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the taxes relate to the same fiscal authority. Deferred taxes are attributable to the following temporary differences:

<i>In thousands of EUR</i>	2017	2016
Differences between tax base and carrying value of property, plant and equipment	96,952	96,667
Post-employment defined benefit obligation	(1,143)	(933)
Other long term employee benefits	(257)	(189)
Other liabilities	(7,427)	(2,799)
Provision for impairment of trade receivables	(280)	(163)
Other	(1,282)	(977)
Total net deferred tax liability	86,563	91,606

15 Income Taxes (continued)

The movements in deferred taxes for temporary differences were recognised in profit or loss except for EUR (34) thousand (2016: EUR (195) thousand) for actuarial remeasurements of post-employment defined benefit obligation, which was recognised in other comprehensive income.

16 Post-Employment Defined Benefit Obligations

As agreed with the trade unions, the Company has a post-employment defined benefit obligation to pay one to seven monthly salaries to each employee upon retirement depending on the number of years worked for the Company. The movements in the present value of defined benefit obligation are:

	2017	2016
Present value of unfunded post-employment defined benefit obligations at the beginning of the year	7,736	8,445
Current service cost	354	318
Interest cost	75	150
Past service costs due to changes in the defined benefit plan rules	(128)	12
Total expense (Note 21)	301	480
<i>Actuarial remeasurements:</i>		
- attributable to changes in financial assumptions	(301)	1,152
- attributable to changes in demographic assumptions	140	(2,323)
- attributable to experience adjustments	-	244
Total actuarial remeasurements recognised in other comprehensive income	(161)	(927)
Benefits paid during the year	(254)	(263)
Other changes	-	1
Present value of unfunded post-employment defined benefit obligations at the end of the year	7,622	7,736

The principal actuarial assumptions were as follows:

	2017	2016
Number of employees at 31 December	1,314	1,285
Staff turnover	4.55% p.a.	4.55% p.a.
Expected salary increases short-term	5.00% p.a.	2.50% p.a.
Expected salary increases long-term	4.00% p.a.	3.00% p.a.
Discount rate	1.30% p.a.	1.10% p.a.

In 2016, Slovak legislation has changed and the retirement age will depend on expected longevity of the population. This effect, along with staff turnover, resulted in an actuarial gain presented within actuarial remeasurements attributable to changes in demographic assumptions. In 2016, Slovak legislation also removed a cap on social security tax payable on the post-employment benefits with effect from 2017, which in combination with salary level assumptions resulted in an actuarial loss presented above as a loss attributable to changes in demographic assumptions.

Management applied its judgement in determining that the changes in legislation are not past service costs caused by changes in the benefit plan rules and thus recognised the effects in other comprehensive income as an actuarial remeasurement caused by changes in retirement age, salary level and social security tax assumptions.

17 Other Long Term Employee Benefits

The Company makes EUR 1,400 (2016: EUR 1,700) payment to each employee at the age of 50, subject to 5 year service vesting condition (2016: 10 year). In addition, the Company pays regular long term work anniversary bonuses in general every 10 years in amounts between EUR 400 to EUR 1,250 (2016: between EUR 370 to EUR 1,150).

The liability for other long-term employee benefits was estimated using the Projected Unit Credit Method.

18 Deferred Connection Fees and Customer Contribution

<i>In thousands of EUR</i>	2017	2016
Non-current		
Customer contributions	11,098	8,873
Connection fees	63,931	51,670
Total non-current deferred income	75,029	60,543
Current		
Customer contributions	480	355
Connection fees	4,262	3,518
Total current deferred income	4,742	3,873

Customer contributions are paid primarily for capital expenditures made on behalf of customers and include access network assets transferred to the Company by its customers free of charge. The contributions are non-refundable and are recognised as other operating income over the useful lives of the related assets. Connection fees are paid by customers to connect them to the electricity network. The fees are recognised as deferred income and are released to revenues over the useful lives of related assets of approximately 20 years.

19 Trade and Other Payables

<i>In thousands of EUR</i>	2017	2016
Trade payables	20,042	30,347
Other accrued liabilities	33,949	11,687
Payables from leasing	2,978	3,135
Other financial liabilities	74	1,719
Total financial instruments within trade and other payables	57,043	46,888
Deferred electricity and distribution fees	2,256	4,253
Employee benefits payable	1,652	1,541
Social security on employee benefits	1,104	1,296
Accrued staff costs	6,369	6,104
Advance payments	18,161	11,763
Value added tax payable	(721)	4,452
Other payables	4,045	2,489
Total trade and other payables	89,909	78,786

The Company had overdue trade payables of EUR 100 thousand (2016: EUR 149 thousand). None of the payables are overdue more than 30 days at 31 December 2017.

20 Revenue

Revenue comprises the following:

<i>In thousands of EUR</i>	2017	2016
Distribution fees for electricity to industrial and commercial customers	229,678	228,378
Distribution fees for electricity to residential customers	97,620	101,690
Tariff for system operation and system services – OKTE, a.s. a related party controlled by Slovak government	152,979	124,225
Revenues for reserved capacity	11,126	10,146
Total distribution fees	491,403	464,439
Revenues for connection work and testing fees	4,684	3,966
Other revenue	6,098	6,725
Total revenue	502,185	475,130

The Company provides access to its electricity distribution network at regulated prices.

Slovakia has implemented the European Union electricity market directive, which resulted in a complete liberalisation of the market whereby all customers, including households, became eligible to buy electricity in the open market from 1 July 2007. However, price regulation applies to certain protected groups of customers.

21 Employee Benefits

<i>In thousands of EUR</i>	2017	2016
Wages and salaries	28,178	26,689
Defined contribution pension costs	5,081	5,002
Post-employment defined benefit plan expense (Note 16)	301	480
Other long-term employee benefit plans – current service and interest cost	(134)	(102)
Actuarial remeasurements of other long-term employee benefit plans	29	194
Other social costs	8,743	7,702
Total employee benefits expense	42,198	39,965

Comparative amounts were reclassified to conform to the presentation in the current period. In particular EUR 4,585 thousand was reclassified from other social costs to defined contribution pension costs. The changes in the presentation did not have an impact on the total amount of assets, equity or the result of operations of the previous period.

22 Other Operating Expenses

<i>In thousands of EUR</i>	2017	2016
Repairs and maintenance of energy equipment	1,807	3,102
Customers services	3,509	3,578
Other repairs and maintenance	6,829	7,658
Administration of distribution equipment	10,305	10,112
Repairs of machinery and devices	547	708
IT services	11,563	10,515
Measuring of electricity consumption	904	894
Facility management	13,070	13,178
Finance services	2,699	2,562
Rental costs	3,396	3,290
Advisory services	519	670
Other services	3,833	4,135
Call centrum	1,604	1,538
Bad debt expense (Note 10)	146	184
Audit fee	111	101
Loss on disposal of fixed assets (Note 6)	202	446
Total other operating expenses	61,044	62,671

23 Other Operating Income

<i>In thousands of EUR</i>	2017	2016
Operating lease income	1,154	1,165
Income from contractual penalties	74	34
Income from unauthorized consumption of electricity	285	249
Other	404	500
Total other operating income	1,917	1,948

24 Interest and Similar Expense

<i>In thousands of EUR</i>	2017	2016
Interest expense on borrowings	22,617	22,617
Other interest expense	75	151
Total interest and similar expense	22,692	22,768
Less capitalised borrowings costs (Note 6)	(1,563)	(1,431)
Total interest and similar expense	21,129	21,337

25 Financial Risk Management

The Company's activities are exposing it to certain financial risks: market risks, credit risk and liquidity risk. The Company's principal financial instruments comprise trade receivables and payables, cash and cash equivalents, issued bonds, financial derivatives, and short-term bank deposits.

Foreign exchange risk. The Company operates in the domestic market, and its sales, purchases and short-term deposits are denominated in EUR. Management does not consider foreign exchange risk as a significant exposure for the Company's operations as it has only an immaterial volume of transactions in currency other than EUR. A reasonably possible change in spot exchange rate of EUR against foreign currencies as of the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

Equity price risk. The Company is not exposed to significant equity price risk because it does not have material financial investments in equities.

Interest rate risk. The Company does not have any significant interest rate risk exposure because all of its financial assets and liabilities, including borrowings received carry fixed interest rates. A reasonably possible change in market interest rates, such as Euribor, as of the end of the reporting period, would not have any impact on the Company's profit or loss for the year.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Exposure to credit risk arises as a result of the Company's sales of energy and services on credit terms and other transactions with counterparties giving rise to financial assets. The exposure includes cash and cash equivalents, financial derivatives and deposits with banks and financial institutions, as well as exposures to wholesale and retail customers, including outstanding receivables and transactions made.

As for the banks and financial institutions, the Company has relationships only with those that have a high independent rating assessment. If wholesale customers are independently rated, these ratings are used. If no independent rating is available, management assesses the credit quality of customer, taking into account its financial position, past experience and other factors. Except as disclosed in Note 10, as for trade receivables, the Company does not have a significant concentration of credit risk mainly due to a large number of diverse customers.

The Company uses a system of reminders, which may culminate in a service disconnection, as the prevailing contract enforcement. The collection of receivables could be influenced by economic factors; management believes that there is no significant risk of loss to the Company beyond the provisions already recorded. The credit quality of outstanding balances with banks is presented in Note 12 and credit quality information about trade receivables is included in Note 10.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company regularly monitors its liquidity position and uses cash pooling with the Parent company to optimize the use of funds within the Group. The Company also uses the advantages of commercial terms between the Company and its suppliers to secure sufficient financing to cover its needs. The maturity of supplier's invoices is 20 days, on average. Expected cash flows forecast is prepared weekly as follows: (a) expected future cash inflows from main operation of the Company and (b) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables. The cash flow forecast identifies the immediate need for cash and, if funds are available, it enables the Company to make short-term bank deposits.

25 Financial Risk Management (continued)

The table below analyses the Company's undiscounted amount of financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date.

The maturity analysis is as follows at 31 December 2017:

<i>In thousands of EUR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings – principal due	-	-	315,000	-	315,000	630,000
Borrowings – future interest payments			20,230	52,164	9,790	82,183
Trade payables (Note 19)	10,569	9,329	144	-	-	20,042
Other accrued liabilities (Note 19)	32,940	7	1,002	-	-	33,949
Other financial liabilities (Note 19)	74	-	-	-	-	74
Gross finance lease liability	-	-	1,147	1,831	-	2,978
Total future payments, including future principal and interest payments	43,583	9,336	337,523	53,995	324,790	769,227

The maturity analysis is as follows at 31 December 2016:

<i>In thousands of EUR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings – principal due	-	-	-	315,000	315,000	630,000
Borrowings – future interest payments	-	-	22,617	61,740	26,082	110,439
Trade payables (Note 19)	22,654	7,668	25	-	-	30,347
Other accrued liabilities (Note 19)	-	2,348	9,339	-	-	11,687
Other financial liabilities (Note 19)	1,719	-	-	-	-	1,719
Gross finance lease liability	-	-	615	2,520	-	3,135
Total future payments, including future principal and interest payments	24,373	10,016	32,596	379,260	341,082	787,327

26 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company manages capital reported under IFRS as equity amounting to EUR 170,179 thousand at 31 December 2017 (31 December 2016: EUR 160,801 thousand).

In managing the capital, the Company's management focuses on maximizing return on invested capital.

The Company is not subject to any externally imposed regulatory capital requirements.

27 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2017:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position	Net amount of exposure
				Financial instruments	Cash collateral received
<i>In thousands of EUR</i>	(a)	(b)	(c) = (a) - (b)	(d)	(e) (c) - (d) - (e)
Assets					
Cash pooling	52,146	-	52,146	52,146	-
Total assets subject to offsetting, master netting and similar arrangement	52,146	-	52,146	52,146	-
Liabilities					
Borrowings	634,833	-	634,833	52,146	- 582,687
Total liabilities subject to offsetting, master netting and similar arrangement	634,833	-	634,833	52,146	- 582,687

27 Offsetting Financial Assets and Financial Liabilities (continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2016:

	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position	Cash collateral received	Net amount of exposure
<i>In thousands of EUR</i>	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
Assets						
Cash pooling	29,817	-	29,817	29,817	-	-
Total assets subject to offsetting, master netting and similar arrangement	29,817	-	29,817	29,817	-	-
Liabilities						
Borrowings	634,833	-	634,833	29,817	-	605,016
Total liabilities subject to offsetting, master netting and similar arrangement	634,833	-	634,833	29,817	-	605,016

28 Debt Reconciliation

The table below sets out an analysis of our debt and the movements in our debt for each of the periods presented.

<i>In thousands of EUR</i>	Borrowings
At 1 January 2016	634,833
Payments of interest, including interest capitalised and presented as investing cash-flows	(22,617)
Interest expense	21,186
Capitalised interest costs (Note 6)	1,431
At 31 December 2016	634,833
Payments of interest, including interest capitalised and presented as investing cash-flows	(22,617)
Interest expense	21,054
Capitalised interest costs (Note 6)	1,563
At 31 December 2017 (Note 8)	634,833

29 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

<i>In thousands of EUR</i>	31 December 2017		31 December 2016	
	Level 2 fair value	Carrying value	Level 2 fair value	Carrying value
Assets				
Trade receivables, net (Note 10)	24,966	24,966	31,098	31,098
Cash and cash equivalents (Note 12)	3,719	3,719	1,849	1,849
Receivables from cash pooling (Note 11)	52,146	52,146	29,817	29,817
Total assets	80,831	80,831	62,764	62,764
Liabilities				
Borrowings (Note 8)	695,066	634,833	714,231	634,833
Trade payables (Note 19)	20,042	20,042	30,347	30,347
Other accrued liabilities (Note 19)	33,949	33,949	11,687	11,687
Other financial liabilities (Note 19)	74	74	1,719	1,719
Liabilities from finance leasing (Note 19)	2,978	2,978	3,135	3,135
Total liabilities	752,109	691,876	761,119	681,721

The fair value of borrowings received was determined at the quoted market price of the bonds, based on the calculation of related issued bonds by Západoslovenská energetika, a.s.

The fair values of other financial assets and liabilities approximate their carrying amounts.

30 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. All of the Company's financial assets fall in the loans and receivables category. All of the Company's financial liabilities were carried at amortised cost.

31 Contingencies and Commitments

Tax contingencies. Slovak tax law contains certain provisions that allow for more than one interpretation. Management's interpretation of the Company's business activities may not coincide with the interpretation of these activities by the tax authorities, but the extent of this risk cannot be reasonably quantified. The fiscal years from 2012 to 2017 remain open to tax inspection.

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. Certain customers or their representatives contest fairness and appropriateness of decisions of the network industry regulator and an unquantifiable risk exists that, in the future, such matters may crystallise in an unfavourable manner for the Company.

Capital expenditure commitments. At 31 December 2017, the Company had outstanding contractual commitments for purchases of property, plant and equipment of EUR 700 thousand (2016: EUR 7,158 thousand). Outstanding contractual commitments for purchases of intangible assets were EUR 1,775 thousand (2016: EUR 269 thousand).

Operating lease commitments. The future aggregate minimum lease payments under non-cancellable operating leases are due as follows:

<i>In thousands of EUR</i>	2017	2016
No later than one year	243	1,554
Later than one year and no later than five years	645	918
Later than five years	109	1,011
Total	997	3,483

32 Balances and Transactions with Related Parties

The primary related parties of the Company are (a) its shareholders which have joint control over the Company as explained in Notes 1 and 13: (i) the Slovak Government and (ii) E.ON, as well as (b) key management personnel. The Company applies the exemption from disclosing transactions with the Slovak government and entities over which it has control, joint control or significant influence. The exemption does not apply to individually significant transactions, such as taxes incurred and paid, purchases of electricity from an entity in which the Slovak government has a significant shareholding and other transactions presented below.

The related party transactions and outstanding balances were as follows for 2017:

<i>In thousands of EUR</i>	Parent company	E.ON Group**	Slovak government*	Entities under common control of the Parent company
Revenue	1,971	90	182,934	190,525
Purchases and expenses	57,013	7,577	65,272	27,714
Receivables other than taxes	52,146	-	985	16
Payables other than taxes	3,023	2,014	1,111	1,285
Dividends declared and paid	55,294	-	-	-

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.

** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

32 Balances and Transactions with Related Parties (continued)

Income taxes are disclosed in the statement of financial position, statement of profit or loss and other comprehensive income, in the statement of cash flows and are also analysed in Note 15. Outstanding value added tax payable is presented in Note 19.

The income tax paid was as follows:

<i>In thousands of EUR</i>	2017	2016
Current income tax expense at standard rate of 21% (2016: 22%) – refer to Note 15	21,670	18,584
Special levy on profits from regulated activities (Note 15)	4,949	3,239
Income tax refund (receivable)/payable at the beginning of the reporting period	5,390	(3,250)
Income tax refund payable at the end of the reporting period	(4,193)	(5,390)
Income tax paid	(27,816)	(13,183)

The related party transactions and outstanding balances were as follows for 2016:

<i>In thousands of EUR</i>	Parent company	E.ON Group**	Slovak government*	Entities under common control of the Parent company
Revenue	1,880	176	171,159	198,277
Purchases and expenses	56,888	7,104	72,421	25,847
Receivables other than taxes	29,855	113	16,669	8,177
Payables other than taxes	637,428	2,936	3,696	2,302
Dividends declared and paid	38,327	-	-	-

* The Slovak government caption represents individually material transactions with entities under control, joint control or significant influence of the Slovak government.

** E.ON Group caption represents transactions with entities under control, joint control or significant influence of the E.ON Group.

The tables with related party transactions above and on the previous page exclude individually immaterial transactions such as supplies of electricity to hospitals, schools, to the government ministries and many other government controlled or otherwise government related enterprises on normal commercial terms and conditions. Management did not identify other government related transactions that are collectively, but not individually, significant.

32 Balances and Transactions with Related Parties (continued)

Key management personnel comprises (a) members of the Board of Directors, (b) members of the supervisory board and (c) divisional directors. Key management personnel remuneration comprised:

<i>In thousands of EUR</i>	2017	2016
<i>Board of directors and other key management personnel</i>		
Salaries and other short-term employee benefits	522	642
Defined contribution pension costs	71	62
Total remuneration of board of directors and other key management personnel	593	704
<i>Supervisory board</i>		
Salaries and other short-term employee benefits	115	122
Defined contribution pension costs	16	15
Total remuneration of supervisory board	131	137

33 Events after the End of the Reporting Period

The Company acquired the facility management department from its Parent company as of 1 January 2018. The acquisition price of the business is EUR 9,902 thousand.

Details of the assets and liabilities acquired determined on a provisional basis are as follows:


<i>In thousands of EUR</i>	Attributed provisional fair value
Property, plant and equipment	7,417
Trade and other receivables	3,217
Trade and other payables	(528)
Post-employment defined benefit obligations	(204)
Provisional fair value of identifiable net assets acquired	9,902

The Company engaged an independent professional appraiser to determine fair values of identifiable assets, liabilities and contingent liabilities acquired.

The general shareholders meeting of the Parent company held on 18 December 2017 approved a transfer of billing services, quality control and logistics department employees to its subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. The completion date for those transactions is expected during 2018.

After 31 December 2017, no other significant events have occurred that would require recognition or disclosure in the 2017 financial statements.

Management authorised these financial statements for issue on 22 March 2018:



 Ing. Andrej Juris
 Chairman of the Board of Directors



 Ing. Marian Kapec
 Member of the Board of Directors