

Západoslovenská energetika, a.s.

**Independent Auditor's Report and
Separate Financial Statements
for the year ended 31 December 2015
prepared in accordance with
International Financial Reporting Standards
as adopted by European Union**

Translation note:

This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

Západoslovenská energetika, a.s.

Separate Financial Statements for the year ended 31 December 2015 prepared
in accordance with IFRS as adopted by the European Union

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board, and Board of Directors of Západoslovenská energetika, a.s.:

We have audited the accompanying separate financial statements of Západoslovenská energetika, a.s. as a company standing alone, which comprise the balance sheet as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Západoslovenská energetika, a.s. as a company standing alone as at 31 December 2015, 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.

PricewaterhouseCoopers Slovensko, s.r.o.

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



Tučný

Mgr. Juraj Tučný, FCCA
UDVA licence No.: 1059

Bratislava, 23 March 2016

Our report has been prepared in Slovak and in English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

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The company's ID (OIC) No. 35732347

Tax identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČO): 2020270021

VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH): SK2000270021

Spoštené a zadržané 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.

Západoslovenská energetika, a.s.

Separate Balance Sheet at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Note	As at 31 December	
		2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	38,850	39,785
Intangible assets	6	1,264	6,985
Investment property	7	9,754	10,062
Investments in subsidiaries and associates	8	290,106	287,875
Loans provided	9	630,000	630,000
		<u>969,974</u>	<u>974,707</u>
Current assets			
Inventories	11	74	52
Loans provided	9	4,833	-
Trade and other receivables	12	4,060	4,083
Receivables from cash pooling	17	12,663	2,986
Current income tax receivables		-	1,101
Cash and cash equivalents	13	31,785	30,063
		<u>53,415</u>	<u>38,285</u>
Total assets		<u>1,023,389</u>	<u>1,012,992</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	14	196,969	196,969
Legal reserve fund	14	39,421	39,421
Other reserves	14	957	902
Retained earnings	14	103,797	106,820
Total equity		<u>341,144</u>	<u>344,112</u>
Non-current liabilities			
Issued bonds	16	628,187	627,775
Pension and other provisions for liabilities and charges	19	1,730	1,759
Deferred income tax liability	18	1,484	1,586
		<u>631,401</u>	<u>631,120</u>
Current liabilities			
Trade and other payables	15	8,971	9,334
Liabilities from cash pooling	17	35,854	24,149
Current income tax liabilities		1,839	-
Pension and other provisions for liabilities and charges	19	66	163
Issued bonds	16	4,114	4,114
		<u>50,844</u>	<u>37,760</u>
Total liabilities		<u>682,245</u>	<u>668,880</u>
Total equity and liabilities		<u>1,023,389</u>	<u>1,012,992</u>

These financial statements have been approved for issue by the Board of Directors of the Company on 23 March 2016.


Jochen Kley
Chairman of the Board of Directors and CEO


Marian Rusko
Member of the Board of Directors

Západoslovenská energetika, a.s.

Separate Statement of Comprehensive Income for the year ended 31 December 2015
prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Note	Year ended 31 December	
		2015	2014
Revenues	20	44,196	58,239
Consumption of material, energy and other consumption	21	(6,798)	(6,288)
Operating expenses	22	(34,114)	(48,011)
Dividend income	23	52,686	65,751
Other operating income	24	4,487	7,152
Profit from operations		60,457	76,843
Finance income / (expense)			
Finance income	26	22,763	9,322
Finance expenses	25	(23,259)	(22,539)
Net finance income / (expense)		(496)	(13,217)
Profit before tax	27	59,961	63,626
Income tax expense	27	(2,026)	(2,265)
Profit for the year		57,935	61,361
Other comprehensive income (in the future will not be reclassified in statement of comprehensive income)		55	123
Total comprehensive income		57,990	61,484

Západoslovenská energetika, a.s.

Separate Statement of Changes in Shareholders' Equity for the year ended
31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Share capital	Legal reserve fund	Other reserves*)	Retained earnings	Total equity
Balance at 1 January 2014	196,969	39,421	779	97,670	334,839
Comprehensive income					
Profit for the year	-	-	-	61,361	61,361
Other comprehensive income	-	-	123	-	123
Total comprehensive income for 2014	-	-	123	61,361	61,484
Transaction with owners					
Dividends	-	-	-	(52,213)	(52,213)
Transaction with owners	-	-	-	(52,213)	(52,213)
Other	-	-	-	2	2
Balance at 31 December 2014	196,969	39,421	902	106,820	344,112
Comprehensive income					
Profit for the year	-	-	-	57,935	57,935
Other comprehensive income	-	-	55	-	55
Total comprehensive income for 2015	-	-	55	57,935	57,990
Transaction with owners					
Dividends (Note 14)	-	-	-	(60,958)	(60,958)
Transaction with owners	-	-	-	(60,958)	(60,958)
Other	-	-	-	-	-
Balance at 31 December 2015	196,969	39,421	957	103,797	341,144

*) Other reserves include actuarial gains and losses related to defined benefit plan net of the income tax

Západoslovenská energetika, a.s.

Separate Cash Flow Statement for the year ended 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

	Note	Year ended 31 December	
		2015	2014
Cash flows from operating activities			
Cash generated from operations	30	14,255	(7,319)
Interest paid		(21,703)	(21,706)
Interest received		17,930	9,322
Income tax paid		797	(400)
Net cash from operating activities		<u>11,279</u>	<u>(20,103)</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles		(5,453)	(10,004)
Proceeds from sale of property, plant and equipment	30	624	487
Acquisition of financial investments	8	-	(7)
Proceeds from sale of financial investments	8	-	7
Proceeds from decrease in share capital of financial investments	8	-	684
Proceeds from sale of part of the business	31	3,544	23,864
Dividend received	23	52,686	65,751
Net cash used in investing activities		<u>51,401</u>	<u>80,782</u>
Cash flows from financing activities			
Dividends paid	14, 32	(60,958)	(52,213)
Net cash used in financing activities		<u>(60,958)</u>	<u>(52,213)</u>
Net increase / (decrease) in cash and cash equivalents			
		1,722	8,466
Cash and cash equivalents at beginning of year	13	<u>30,063</u>	<u>21,597</u>
Cash and cash equivalents at end of year	13	<u>31,785</u>	<u>30,063</u>

Západoslovenská energetika, a.s.

Notes to the Separate Financial Statements at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

1 General information

Západoslovenská energetika, a.s. ("the Company", „ZSE“), in its current legal form as a joint stock company, was established on 15 October 2001 and incorporated on 1 November 2001 into the Commercial register of the District Court Bratislava I.

The structure of Company's shareholders at 31 December 2015 was as follows:

	Absolute amount in thousands Euros	Interest in share capital in %	Voting rights
Ministry of Economics of Slovak Republic	100,454	51%	51
E.ON Slovensko, a.s.	76,818	39%	39
E.ON Beteiligungen GmbH	19,697	10%	10
Total	196,969	100%	100

On 23 June 2015, E.ON Energie AG transferred 10% of the total share capital of ZSE to E.ON Beteiligungen GmbH, Germany.

The structure of Company's shareholders at 31 December 2014 was as follows:

	Absolute amount in thousands Euros	Interest in share capital in %	Voting rights
Ministry of Economics of Slovak Republic	100,454	51%	51
E.ON Slovensko, a.s.	76,818	39%	39
E.ON Energie AG	19,697	10%	10
Total	196,969	100%	100

The Company provides supporting services for its subsidiaries and other related parties as customer service activities, accounting, controlling and general administration services, as well as in area of finance services, planning, HR services and facility management. From 1 January 2015, the provision of customer services by the Company has been contributed into the subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. within the sale of part of the business (Note 31).

Throughout these financial statements, ZSE is referred to as "the Company" and together with its subsidiaries is referred to as "the Group".

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

The 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 Company. The Company's governance structure dictates that the Company's 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.

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(All amounts are in thousands of Euro unless stated otherwise)

The members of the statutory bodies of the Company as at 31 December 2015 and 31 December 2014 were as follows:

Board of Directors:	As at 31 December 2015	As at 31 December 2014
Chairman:	Jochen Kley	Jochen Kley
Vice Chairman:	Ing. Peter Adamec, PhD.	Ing. Peter Adamec, PhD.
Members:	Mgr. Juraj Krajcár Ing. Ján Rusnák Marian Rusko	Mgr. Juraj Krajcár Ing. Ján Rusnák Marian Rusko
Supervisory Board:	As at 31 December 2015	As at 31 December 2014
Chairman:	Ing. Ľubomír Streicher	Ing. Ľubomír Streicher
Vice Chairman:	Lars Lagerkvist	Lars Lagerkvist
Members:	Silvia Šmátralová Ing. Peter Hanulík Ing. Marek Hargaš Ing. Boris Hradecký JUDr. Libor Samec Robert Polakovič Ing. Martin Mislovič	Silvia Šmátralová Ing. Peter Hanulík Ing. Marek Hargaš Ing. Boris Hradecký JUDr. Libor Samec Robert Polakovič Ing. Martin Mislovič

The Company employed 309 staff on average during 2015, of which 15 were management (2014: 367 employees on average, of which 15 were management).

Registered address of the Company:

Čulenova 6
816 47 Bratislava
Slovak Republic

Identification number (IČO) of the Company is: 35 823 551

Tax identification number (IČ DPH) of the Company is: SK2020285256

Západoslovenská energetika, a.s.

Notes to the Separate Financial Statements at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are described below. These policies have been consistently applied to all periods presented, unless stated otherwise.

2.1 Basis of preparation

The Act on Accounting of the Slovak Republic No. 431/2002 Coll. as amended requires certain companies to prepare separate financial statements for the year ended 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The Company's separate financial statements at 31 December 2015 have been prepared as ordinary financial statements under § 17 Sec. 6 of the Slovak Parliament Act No. 431/2002 Coll. as amended ("Accounting Act") for the accounting period from 1 January 2015 to 31 December 2015.

The separate financial statements have been prepared in compliance with International Financial Reporting Standards as adopted by the European Union.

The separate financial statements have been prepared under the historical cost convention, on accrual basis and under the going concern principle.

The Board of Directors may propose to the Company's shareholders to amend the separate financial statements until their approval by the General Shareholders Meeting. However, § 16, points 9 to 11 of the Accounting Act prohibit reopening an entity's accounting records after the financial statements are approved by the General shareholders' meeting. 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 accounting period in which the relevant facts are identified.

These financial statements are prepared in thousands of Euros ("EUR").

These separate financial statements have been prepared in addition to the consolidated financial statements of the Group Západoslovenská energetika, a.s. The separate financial statements should be read in conjunction with the consolidated financial statements to obtain a complete understanding of the Company's results and financial position.

Západoslovenská energetika, a.s.

Notes to the Separate Financial Statements at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

2.1.1 Changes in accounting policy and disclosures

(a) New standards, interpretations and amendments adopted by the Company during the financial year ended 31 December 2015

The following new standards, interpretations and amendments became effective for the Company from 1 January 2015:

IFRIC 21 - Levies (issued on 20 May 2013 and effective in EU for annual periods beginning on or after 17 June 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply to interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation to the standard does not have a material impact on the Company's financial statements. This interpretation was endorsed by the EU on 13 June 2014.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective in EU for annual periods beginning on or after 1 January 2015). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. These amendments to the standards do not have a material impact on the Company's financial statements. These amendments were endorsed by the EU on 18 December 2014.

(b) New standards, interpretations and amendments issued but not effective for the financial year beginning 1 January 2015 and not early adopted

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Company has not early adopted:

IFRS 9, Financial Instruments: Classification and Measurement (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 (FVPL).

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Notes to the Separate Financial Statements at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

- 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 FVPL (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.

The Company is currently assessing the impact of the new standard on its financial statements. This standard has not yet been endorsed by the EU.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 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. The Company is currently assessing the impact of the new standard on its financial statements. This standard has not yet been endorsed by the EU.

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 income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

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Notes to the Separate Financial Statements at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

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. This standard has not yet been endorsed by the EU.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Company will add the required disclosure into its 2017 financial statements. This amendment has not yet been endorsed by the EU.

The Company does not expect the following new standards, interpretations and amendments will have material impact on the Company's financial statements:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (issued in November 2013 and effective in EU for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective in EU for annual periods beginning on or after 1 February 2015, unless otherwise stated below).
- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective in EU for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective in EU for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective in EU for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective in EU for annual periods beginning on or after 1 January 2016).
- 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).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective in EU for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective in EU for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).

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Notes to the Separate Financial Statements at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

2.2 Subsidiaries, associates and joint ventures

(i) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Company controls because the Company (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive voting rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

Investments in subsidiaries are carried at cost in these separate financial statements. The cost is represented by the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the subsidiaries at the time of their acquisition. Impairment losses are recognized using an allowance account. Allowances are recognized based on the present value of estimated future cash flows.

(ii) Associates and joint ventures

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Jointly controlled entities ("joint ventures") are those in which the Company shares control of the operations with its joint venture partners.

Investments in associates and in joint ventures are carried at cost in these separate financial statements. The cost is represented by the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the associates and joint ventures at the time of their acquisition. Impairment losses are recognized using an allowance account. Allowances are recognized based on the present value of estimated future cash flows.

2.3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Transactions with external parties are reported in a manner consistent with that in the consolidated income statement. Transactions between segments are eliminated upon consolidation.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

These financial statements are presented in EUR, which is the Company's functional and presentation currency.

Západoslovenská energetika, a.s.

Notes to the Separate Financial Statements at 31 December 2015 prepared in accordance with IFRS as adopted by the European Union

(All amounts are in thousands of Euro unless stated otherwise)

(ii) 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 recognized in profit or loss.

2.5 Property, plant and equipment

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

(i) Cost

Cost includes expenditure that is directly attributable to the acquisition of the items, including borrowing costs incurred from the date of acquisition until the date the item becomes available for use.

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The most significant part of property, plant and equipment is represented by office buildings, fixtures and fittings and other equipment.

(ii) Depreciation

The depreciation of property, plant and equipment starts on the first day of the month when the property, plant and equipment is available for use. Property, plant and equipment are depreciated in line with the approved depreciation plan using the straight-line method based on the estimated useful lives and expected wear and tear. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment. Land and assets under construction are not depreciated.

The estimated useful lives of individual groups of assets are as follows:

	Estimated useful lives in years
Office buildings and halls	30 – 50 years
Building sites	40 years
Machinery	4 – 20 years
Fixtures, fittings and equipment	4 – 30 years
Vehicles	4 – 15 years
Other non-current tangible assets	4 – 30 years

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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Items that are retired or otherwise disposed of are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized net in the income statement.

Investment property represents the building premises (and related part of the land on which the building stands), which is leased out to subsidiaries. In the balance sheet, investment property is stated at cost less accumulated depreciation and is depreciated same like buildings for own use.

2.6 Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized 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.

Borrowing costs are capitalized during the period until the asset becomes available for use. The Company does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives, not exceeding a period of four years.

Costs associated with maintaining computer software programmes are recognized 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 capitalized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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

2.7 Impairment of non-current non-financial assets

Assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortization and are tested for impairment annually. Land, construction in progress and assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

The Company classifies its financial assets according to IAS 39 "Financial Instruments: Recognition and Measurement". The classification depends on the purpose for which the financial assets were acquired, whether they are quoted in an active market and on management intentions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Company's loans and receivables comprise 'trade and other receivables', 'loans provided', 'receivables from cash pooling' and 'cash and cash equivalents' in the balance sheet (Notes 2.13 and 2.14).

Purchases and sales of financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of the receivables is described in Note 2.13.

2.9 Financial liabilities

The Company classifies its financial liabilities to subsidiaries according to IAS 39 "Financial Instruments: Recognition and Measurement". The classification depends on the contractual provisions of the instrument and the intentions with which management entered into the contract.

Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date. When a financial liability is recognised initially, the Company measures it at its fair value net of transaction costs that are directly attributable to the origination of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

Financial liability (or a part of a financial liability) is removed from the Company's balance sheet when, and only when it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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2.10 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or 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.

2.11 Leases

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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. 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 cost of completion and selling expenses.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of provision for impairment. Revenue recognition policy is described in Note 2.26.

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, probability that the debtor will enter bankruptcy or financial reorganization, default or delinquency in payments (more than 1 month overdue) are considered indicators 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 through the use of an allowance account. Creation and release of provision for the year ended 31 December 2015 is recognized in the income statement within "Other operating income" (2014: within "Other operating income").

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 "Other operating income" in the statement of comprehensive income.

2.14 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.

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current assets.

2.15 Share capital

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

2.16 Dividends

Dividends' pay-out to the shareholders of the Company are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared before or on the balance sheet date.

2.17 Legal reserve fund

The legal reserve fund is set up in accordance with the Commercial Code. Contributions to the legal reserve fund of the Company were made at 10% of net income based on individual financial statements 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.

2.18 Other funds

The Company has set up additional funds from profits to reserve funding for future capital expenditure as allowed by the Commercial Code and Articles of Association. The allocations to these funds have been approved by the General meeting of shareholders. Such funds are not distributable unless otherwise decided by shareholders.

2.19 Other reserves

The other reserves comprise of re-measurement component of defined pensions plans, which are actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in calculation of pension obligations. The balances are included net of tax.

2.20 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 one year or less, or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

2.21 Taxation

(i) Deferred tax

Deferred income tax is recognized using the 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.

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Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized 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, associates and joint ventures, 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. Dividend income is generally not subject to income taxes in the Slovak Republic.

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.

(ii) Current income tax

Income tax is recognized as an expense in the period in which the Company's tax liability in the accompanying income statement of the Company is calculated on the basis resulting from the profit before tax, which was adjusted for deductible and non-deductible items due to permanent and temporary adjustments to the tax base loss. The current tax liability is stated net of corporate income tax advances that the Company paid during the year. If corporate income tax advances paid during the year exceed the tax liability for the period, the Company records a tax receivable.

2.22 Grants and contributions

Grants from the government and other similar contributions are recognized at their fair value where there is a reasonable assurance that the grant or contribution will be received and the Company will comply with all attached conditions.

Government grants and similar contributions relating to acquisition of property, plant and equipment are accounted by setting up the grant as deferred income, which is recognized as other operating income over the life of depreciable asset. Government grants relating to operating expenses are deferred and recognized in other operating income over the period necessary to match them with the costs they are intended to compensate.

2.23 Issued bonds, loans and other borrowings

Issued bonds, loans and other borrowings are recognised initially at fair value, net of transaction costs incurred. Issued bonds, loans and other borrowings are carried at amortized cost using the effective interest method. Interest costs on issued bonds, loans and other borrowings to finance the construction of property, plant and equipment are capitalized based on cost of the qualifying assets, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Issued bonds, loans and other borrowings 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.

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Interest costs on issued bonds, loans and other borrowing that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of interest costs on issued bonds, loans and other borrowings eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the interest costs on issued bonds, loans and other borrowings applicable to the borrowings of the entity that are outstanding during the period, other than loans and borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of interest costs on issued bonds, loans and other borrowings capitalized during a period does not exceed the amount of interest costs on issued bonds, loans and other borrowings incurred during that period.

Interest costs on issued bonds, loans and other borrowings are capitalized by the Company only if they are related to financing of own construction projects with realisation period more than 6 months.

2.24 Provisions / Contingent liabilities

Provisions are recognized 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 recognized 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 recognized 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 recognized as interest expense.

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

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

2.25 Employee benefits

The Company has both defined benefit and defined contribution plans.

(i) Pension obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan 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.

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(ii) Defined benefit pension plans

According to the contract with the Trade Unions for the year 2014 to 2016 the Company is obliged to pay its employees on retirement or disability the average of their monthly salary (2014: average of their monthly salary). Additionally, if the employees decide to resign exactly at the date of retirement, the Company is obliged to pay its employees additional 6 multiples of their average monthly salary (2014: 6 multiples of their average monthly salary).

The minimum requirement of the Labour Code of one-month average salary payment on retirement is included in the above multiples.

The Company also pays certain life and work jubilees bonuses.

- a) Life jubilee benefits are paid by the Company in the amount of 1,700 EUR to each employee at the age of 50 under the condition that employee worked at least 10 years of continuous work for the Company.
- b) Work jubilee bonuses (long-term service bonuses) paid by the Company are dependent on the number of year of service for the Company and equals to the following amounts:

10 years	EUR 370
20 years	EUR 665
30 years	EUR 830
35 years	EUR 1,000
40 years	EUR 1,150

The defined benefit obligation is calculated 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 pension liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in expenses.

(iii) Defined contribution pension plans

The Company contributes to the government and private defined contribution pension plans. The Company makes contributions to the government health, retirement benefit, accidental and guarantee insurance and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. Throughout the year, the Company made contributions amounting to 35.2% (2014: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law, to such schemes, together with contributions by employees of a further 13.4% (2014: 13.4%). The cost of these payments is charged to the income statement in the same period as the related salary cost.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company makes contributions to the supplementary scheme amounting to 3% (2014: 3%) from the total of monthly tariff wage.

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(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(v) Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized within other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and the amount can be determined before the time of issuing the financial statements.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.26 Revenue recognition

The Company provides supporting services for its subsidiaries ZSE Energia, a.s. and Západoslovenská distribučná, a.s. as accounting, controlling, facility management and general administration services. These services are provided also to the other subsidiaries ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.), ZSE Development, s.r.o. and ZSE MVE, s. r. o. (till 14 August 2014: ZSE prenos, s. r. o.) and to the shareholder E.ON Slovensko, a.s. as well as other related parties, E.ON Business Services Slovakia spol. s r. o. and E.ON Elektrárne s.r.o. From 1 January 2014, the provision of investment services, construction works, repair and maintenance services and operation of distribution network by the Company has been contributed into the subsidiary Západoslovenská distribučná, a.s. within the sale of part of the business. From 1 January 2015, the provision of customer services by the Company has been contributed into the subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. within the sale of part of the business (Note 31).

Revenue comprises the fair value of the consideration received or receivable for the sale of goods 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 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.

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.

The Company sells raw material and spare parts to its subsidiaries. Sale of material is recognized when the Company has delivered the material to the subsidiary and there is no unfulfilled obligation that could affect the subsidiary's acceptance of the material.

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Dividend income is recognized when the right to receive the payment is established. Interest income is recognized on accrual basis in the period when it is incurred, independent from the actual payments of the interest.

2.27 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable within one year. They are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Company that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Revenues, expenses and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

3 Financial risk management

3.1 Financial risk factors

The Company's activities are exposing it to certain financial risks: market risk (including risk of changes in foreign currency exchange rates, interest rate risk and price risk), credit risk and liquidity risk. The Company's principal financial instruments comprise trade receivables and payables, cash and cash equivalents, issued bonds, loans provided, receivables and payables from cash pooling and short-term bank deposits. The main purpose of these financial instruments is to raise finance or to invest excess liquidity.

Risk management is carried out under policies approved by the Board of Directors of the Company. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and the investment of excess liquidity.

(i) Market risk

(a) Foreign exchange risk

The Company operates mainly in the domestic market, and most of its sales, purchases and short-term deposits are denominated in Euro.

Management does not consider foreign exchange risk as a significant exposure to the Company's operations as it has only small volume of transactions in other currency than Euro.

(b) Price risk

The Company is not exposed to price risk arising from equity share prices, as it does not invest in equities. The Company has subsidiaries which are carried at cost according to IAS 27 as it is described in Note 2.2. IFRS 7 does not mandate price risk analysis, including sensitivity disclosures, relating to subsidiaries carried at cost.

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(c) Cash flow and fair value interest rate risk

As the Company has no significant interest earning assets with floating interest rate other than cash at bank accounts except for short-term bank deposits as of 31 December 2015 and 2014, the operating cash flows are only to a small extent dependent on the market interest rate fluctuations. The short term bank deposits are denominated at fixed interest rates.

As at 31 December 2015, the Company recognises loans provided to the subsidiary Západoslovenská distribučná, a.s. in total amount of EUR 634,833 thousands including accrued interest (31 December 2014: EUR 630,000 thousands). Loans have fixed interest rate. Further information about loans provided including their interest rate are stated in Note 9. Further information about issued bonds including their interest rate are stated in Note 16. The Company had no bank borrowings during the financial year 2015 and 2014.

(ii) 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 services on credit terms and other transactions with counterparties giving rise to financial assets.

The credit risk arises from cash and cash equivalents, financial derivatives and deposits with banks and financial institutions as well as trade receivables. From 1 July 2007 after legal unbundling, the subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. are the main customers of the Company.

In order to eliminate the credit risk related to bank accounts and financial instruments, the Company enters into transactions only with banks and financial institutions that have a high independent rating. The cash and short-term deposits are kept by the Company in 4 banks (2014: 4 banks), what represents the risk concentration.

The credit quality of cash in the bank and bank deposits can be assessed by external credit ratings at the end of the reporting period:

	Counterparty Rating *)	31 December 2015		31 December 2014	
		Credit limit	Balance on bank accounts	Credit limit	Balance on bank accounts
Banks rated	A1 (Moody's)	-	26	-	12,197
Banks rated	A2 (Moody's)	-	3,564	-	-
Banks rated	A3 (Moody's)	-	-	-	32
Banks rated	A (Fitch)	-	-	20,000	4
Banks rated	Baa1 (Moody's)	55,000	28,191	55,000	17,830
Banks rated	BBB+ (Fitch)	20,000	4	-	-
		75,000	31,785	75,000	30,063

*) Ratings provided by Moody's, Fitch at 31 December 2015

As at 31 December 2015, the Company has agreements with banks about revolving credit facilities amounting to EUR 75,000 thousand (31 December 2014: EUR 75,000 thousand). As at 31 December 2015 the Company has drawn EUR 0 thousand from these facilities (31 December 2014: EUR 0 thousand).

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The maximum exposure to credit risk is limited by the carrying value of receivables. As of 31 December 2015 and 2014, there is a significant concentration of credit risk with respect of receivables within the Group towards Západoslovenská distribučná, a.s. and ZSE Energia, a.s. The Company manages this exposure through cash-pooling agreements (Note 17). 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.

(iii) 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 and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company's treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The Company regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Company also uses the advantages of commercial terms between the Company and its customers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is 60 days, on average.

The Company monitors movements of financial resources in bank accounts on a regular basis. Expected cash flow is prepared as follows:

- 1) expected future cash inflows from main operation of the Company; and
- 2) expected future cash outflows securing operation of the Company and leading to settlement of all liabilities of the Company, including tax payables.

A cash flow forecast is prepared weekly. It identifies the immediate need for cash and, if funds are available, it enables the Company to make term deposits.

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The table below places the Company's financial liabilities into relevant maturity groups based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
As at 31 December 2015						
Trade payables (Note 15)	2,784	638	-	-	-	3,422
Other financial liabilities (Note 15)	50	439	-	-	-	489
Liabilities from cash pooling (Note 17)	35,854	-	-	-	-	35,854
Issued bonds	-	-	21,656	383,513	352,800	757,969
	<u>38,688</u>	<u>1,077</u>	<u>21,656</u>	<u>383,513</u>	<u>352,800</u>	<u>797,734</u>
As at 31 December 2014						
Trade payables (Note 15)	4,238	553	-	-	-	4,791
Liabilities from cash pooling (Note 17)	24,149	-	-	-	-	24,149
Issued bonds	-	-	21,656	392,569	365,400	779,625
	<u>28,387</u>	<u>553</u>	<u>21,656</u>	<u>392,569</u>	<u>365,400</u>	<u>808,565</u>

3.2 Capital risk management

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's management manages capital reported under IFRS amounting to, as at 31 December 2015, EUR 341,144 thousand (31 December 2014: EUR 344,112 thousand).

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

The Company's management considers the most relevant indicator of capital management to be the return on average capital employed (ROACE). Management expects return on average capital employed to be higher than cost of capital. Indicator ROACE is calculated as follows: earnings before interest and taxes EBIT (in the Separate statement of comprehensive Income of the Company presented as Profit from operations) / average capital.

The Company is not subject to external regulatory minimum requirements on the amount of its capital.

3.3 Fair value estimation of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level 2 measurements are valuations techniques with all material inputs observable for the assets or liabilities, accessible either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- (iii) level 3 measurements are valuations not based on observable market data (i.e. unobservable inputs).

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Assets and liabilities not measured at fair value:

At 31 December 2015	Fair value			Book value
	Level 1	Level 2	Level 3	
Liabilities	696,531	-	-	632,301
Issued bonds - XS0979598207, series 1	333,062	-	-	316,125
Issued bonds - XS0979598462, series 2	363,469	-	-	316,176
Assets	-	696,531	-	634,833
Loans provided including accrued interest	-	696,531	-	634,833

At 31 December 2014	Fair value			Book value
	Level 1	Level 2	Level 3	
Liabilities	704,696	-	-	631,889
Issued bonds - XS0979598207, series 1	337,356	-	-	315,926
Issued bonds - XS0979598462, series 2	367,340	-	-	315,963
Assets	-	704,696	-	630,000
Loans provided including accrued interest	-	704,696	-	630,000

At the balance sheet date of the financial statements, the fair value of provided loans (Note 9) was determined by using management estimate and based on the price development of related issued bonds on the financial market.

The fair value of issued bonds was determined by the quoted market price of issued bonds by the Company (Note 16).

At the balance sheet date, the fair values of other financial assets and liabilities approximate their carrying amounts.

4 Segment reporting

The Company presents segment information for the current and comparative reporting periods in accordance with IFRS 8, *Operating segments*.

The operating segments are those used by the Board of Directors to manage the business, allocate resources and make strategic decisions. The Company identifies its segments according to the nature of products and services provided by each segment. The Board of Directors of the Company monitors the business on consolidated basis for the Group. The operating segments are therefore (i) electricity distribution, (ii) electricity and gas supply and (iii) other activities as described below. The Group's activities are concentrated in Slovakia.

The main indicators used by the Board of Directors in their decision making are earnings before interest, taxes, depreciation and amortisation (EBITDA) and capital investment. The Board of Directors separately monitor the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance.

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The types of products and services from which each reportable operating segment derives its operating results are:

Electricity distribution

Distribution of electricity using the distribution networks in Western Slovakia. The distribution business is regulated and the Group is required to provide access to its network to third parties on terms approved by RONI.

Electricity and gas supply

Supply of electricity and gas to wholesale and retail customers in Slovakia. This business is open to competition by other suppliers. Pricing for certain classes of customers of the segment is regulated by RONI.

As a result of regulation of the distribution business and partial regulation of the supply business approximately 90% during year ended 31 December 2015 (31 December 2014: approximately 92%) of the Group's EBITDA were generated from the sales to customers who are subject to price regulation.

Other

Segment Other includes activities provided by the Company together with its subsidiaries ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.) and ZSE MVE, s. r. o. (till 14 August 2014: ZSE prenos, s. r. o.). Board of Directors does not assess activities and results of the Company separately but within segment Other. Segment Other provides mainly headquarter type functions, as central services, accounting, controlling, HR and other services, to both supply and distribution businesses. The segment realizes also electricity production in two small hydroelectric plants and generates also some external revenues from projecting and engineering activities in investment construction for third parties. Until 31 December 2014 segment Other consisted also of customer services for distribution and supply businesses, while these activities have been contributed from 1 January 2015 into the segments Electricity distribution and Electricity and gas supply within the sale of part of the business (Note 31).

Transactions with external parties are reported in a manner consistent with that in the consolidated income statement. Transactions between segments are eliminated upon consolidation.

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An analysis of revenues, costs, EBITDA, profit before tax and capital expenditures by individual operating segments in the current and comparative reporting period is provided below:

	31 December 2015							
	Distribution	Supply	Other	Eliminations	Total ZSE Group	Deconsolidation of subsidiaries	ZSE discontinued operations	ZSE continuing operations
Revenue from external customers	255,701	750,312	3,011	-	1,009,024	(1,007,887)	-	1,137
Inter-segment revenues	198,415	43,099	43,612	(285,126)	-	43,059	-	43,059
Purchases of electricity, gas and related fees	(217,067)	(753,993)	(7,587)	234,571	(744,076)	737,278	-	(6,798)
Employee benefits expenses	(37,539)	(6,664)	(13,457)	71	(57,589)	45,125	-	(12,464)
Other operating expenses	(63,898)	(17,678)	(18,962)	53,406	(47,132)	29,152	-	(17,980)
Dividend income	-	-	-	-	-	52,686	-	52,686
Other operating income	2,056	2,423	6,811	(3,083)	8,207	(3,720)	-	4,487
Own work capitalised	18,222	-	-	(384)	17,838	(17,838)	-	-
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	155,890	17,499	13,428	(545)	186,272	(122,145)	-	64,127

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	31 December 2014							
	Distribution	Supply	Other	Eliminations	Total ZSE Group	Deconsolidation of subsidiaries	ZSE discontinued operations	ZSE continuing operations
Revenue from external customers	222,395	786,055	4,568	-	1,013,018	(1,011,881)	-	1,137
Inter-segment revenues	210,549	43,384	57,507	(311,440)	-	57,102	-	57,102
Purchases of electricity, gas and related fees	(201,197)	(790,704)	(7,905)	248,578	(751,228)	744,940	-	(6,288)
Employee benefits expenses	(35,524)	(5,797)	(13,600)	16	(54,905)	42,165	-	(12,740)
Other operating expenses	(63,105)	(24,627)	(29,700)	65,737	(51,695)	23,556	-	(28,139)
Dividend income	-	-	-	-	-	65,751	-	65,751
Other operating income	2,527	3,823	6,865	(2,978)	10,237	(3,085)	-	7,152
Own work capitalised	18,278	-	-	(617)	17,661	(17,661)	-	-
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	153,923	12,134	17,735	(704)	183,088	(99,113)	-	83,975

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Reconciliation of EBITDA to Profit before tax

	Year ended 31 December						
	2015			2014			
Reconciliation of Earnings before interest, taxes, depreciation and amortisation (EBITDA) to Profit before tax	Total ZSE Group	Deconsolidation of subsidiaries	ZSE discontinued operations	ZSE continuing operations	Total ZSE Group	ZSE discontinued operations	ZSE continuing operations
EBITDA	186,272	(122,145)	-	64,127	183,088	(99,113)	83,975
Depreciation and amortisation	(47,031)	43,361	-	(3,670)	(45,784)	38,652	(7,132)
Interest income	277	22,486	-	22,763	168	9,154	9,322
Interest expense	(21,084)	(657)	-	(21,741)	(21,445)	(329)	(21,774)
Other financial expenses	(1,219)	(299)	-	(1,518)	(765)	-	(765)
Profit before tax	117,215	(57,254)	-	59,961	115,262	(51,636)	63,626
31 December 2015	Distribution	Supply	Other	Eliminations	Total ZSE Group	Deconsolidation of subsidiaries	ZSE discontinued operations
Capital investment	76,783	4,141	5,032	(6,856)	79,100	(74,068)	-
31 December 2014	77,192	-	8,241	(3,299)	82,134	(75,688)	6,446
Capital investment							

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	31 December 2015		
	Total ZSE Group	Deconsolidation of subsidiaries	ZSE discontinued operations
Reconciliation of Capital investment to Purchase of property, plant and equipment (PP&E) and intangibles (cash effective)			ZSE continuing operations
Capital investment	79,100	(74,068)	5,032
Assets acquired but not paid for	(10,426)	10,138	(288)
Payments to assets acquired in prior periods	12,553	(11,844)	709
Purchase of PP&E and intangibles (cash effective)	81,227	(75,774)	5,453
	31 December 2014		
	Total ZSE Group	Deconsolidation of subsidiaries	ZSE discontinued operations
Reconciliation of Capital investment to Purchase of property, plant and equipment (PP&E) and intangibles (cash effective)			ZSE continuing operations
Capital investment	82,134	(75,688)	6,446
Assets acquired but not paid for	(15,622)	14,868	(754)
Payments to assets acquired in prior periods	3,991	321	4,312
Purchase of PP&E and intangibles (cash effective)	70,503	(60,499)	10,004

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5 Property, plant and equipment

	Land	Buildings, halls, building sites and network constructions	Machinery, fixtures, fittings and equipment, vehicles and other assets	Capital work in progress including advances (CIP)	Total
As at 1 January 2014					
Cost	4,690	35,914	26,874	7,426	74,904
Accumulated depreciation including impairment charge	-	(12,254)	(19,110)	-	(31,364)
Net book value	4,690	23,660	7,764	7,426	43,540
Year ended 31 December 2014					
Transfer from property, plant and equipment to investment property	-	(2,999)	-	-	(2,999)
Additions	-	-	-	2,582	2,582
Transfers	-	3,566	3,063	(6,629)	-
Depreciation charge	-	(875)	(1,977)	-	(2,852)
Disposals	(6)	(36)	(135)	(24)	(201)
Other	(269)	(16)	-	-	(285)
Closing net book value	4,415	23,300	8,715	3,355	39,785
As at 31 December 2014					
Cost	4,415	35,071	28,884	3,355	71,725
Accumulated depreciation including impairment charge	-	(11,771)	(20,169)	-	(31,940)
Net book value	4,415	23,300	8,715	3,355	39,785
Year ended 31 December 2015					
Additions	-	-	-	4,695	4,695
Transfers	-	3,025	1,582	(4,607)	-
Depreciation charge	-	(885)	(1,905)	-	(2,790)
Disposals	(166)	(69)	(15)	-	(250)
Contribution of assets to the share capital of the financial investment	(117)	(2,473)	-	-	(2,590)
Closing net book value	4,132	22,898	8,377	3,443	38,850
As at 31 December 2015					
Cost	4,132	35,157	30,376	3,443	73,108
Accumulated depreciation including impairment charge	-	(12,259)	(21,999)	-	(34,258)
Net book value	4,132	22,898	8,377	3,443	38,850

At 31 December 2015 and at 31 December 2014 the Company did not lease any fixed assets leased as finance lease (where Company is the lessee). At 31 December 2015 and at 31 December 2014 no property, plant and equipment was collateralized or pledged.

Non-current tangible assets are insured in Ergon Insurance Limited against damages caused by natural disasters and water from exchange up to the amount of EUR 244,288 thousand for buildings and building parts and up to amount of EUR 33,632 thousand for the machinery, equipment, fixture, fittings and other assets (2014: EUR 249,619 thousand and 33,105 thousand respectively).

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6 Intangible assets

	Computer software and other	Assets not yet available for use	Total
At 1 January 2014			
Cost	38,465	3,027	41,492
Accumulated depreciation and impairment	(32,771)	-	(32,771)
Net book value	5,694	3,027	8,721
Year ended 31 December 2014			
Additions	15	2,050	2,065
Transfers	3,846	(3,846)	-
Disposals	(115)	-	(115)
Amortisation charge	(3,686)	-	(3,686)
Closing net book value	5,694	1,231	6,985
At 31 December 2014			
Cost	40,181	1,231	41,412
Accumulated depreciation and impairment	(34,427)	-	(34,427)
Net book value	5,754	1,231	6,985
Year ended 31 December 2015			
Additions	-	301	301
Transfers	212	(212)	-
Sale of part of the business	(4,447)	(1,039)	(5,486)
Amortisation charge	(536)	-	(536)
Closing net book value	983	281	1,264
At 31 December 2015			
Cost	27,728	281	28,009
Accumulated depreciation and impairment	(26,745)	-	(26,745)
Net book value	983	281	1,264

7 Investment property

The Company leases out part of its administrative buildings to its subsidiaries. The respective rental income was EUR 2,823 thousand (2014: EUR 2,675 thousand) (Note 24).

The Company's management estimates that fair value of the investment property at the balance sheet date approximates its carrying amount.

Investment property was included in property, plant and equipment of the Company in 2014 Company's separate financial statements and was reclassified reflecting the economic nature and substance of the asset.

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	Buildings, halls, building sites and network constructions	Capital work in progress including advances (CIP)	Total
As at 1 January 2014			
Cost	7,884	-	7,884
Accumulated depreciation including impairment charge	(2,311)	-	(2,311)
Net book value	5,573	-	5,573
Year ended 31 December 2014			
Transfer from property, plant and equipment to investment property	2,999	-	2,999
Additions	-	1,799	1,799
Transfers	1,799	(1,799)	-
Depreciation charge	(309)	-	(309)
Disposals	-	-	-
Closing net book value	10,062	-	10,062
As at 31 December 2014			
Cost	13,925	-	13,925
Accumulated depreciation including impairment charge	(3,863)	-	(3,863)
Net book value	10,062	-	10,062
Year ended 31 December 2015			
Additions	-	36	36
Transfers	36	(36)	-
Depreciation charge	(344)	-	(344)
Disposals	-	-	-
Closing net book value	9,754	-	9,754
As at 31 December 2015			
Cost	13,961	-	13,961
Accumulated depreciation including impairment charge	(4,207)	-	(4,207)
Net book value	9,754	-	9,754

8 Investment in subsidiaries and associates

	2015	2014
At the beginning of the year	287,875	918,559
Additions	2,530	7
Disposals	-	630,690
Impairment	(299)	-
Other	-	(1)
At the end of the year	290,106	287,875

Additions during the year 2015 represent increase of endowment of foundation Nadácia ZSE in amount of EUR 2,530 thousand which was paid in by non-financial contribution of property, plant and equipment. The change was incorporated into the Register of Foundations of the Ministry of Interior of the Slovak Republic on 28 May 2015.

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The additions during the year 2014 represent the establishment of the foundation Nadácia ZSE, where the Company is its sole founder. Nadácia ZSE was incorporated on 4 August 2014 into the Register of Foundations of the Ministry of Interior of the Slovak Republic. Disposals during the year 2014 represent the decrease in share capital of the subsidiary Západoslovenská distribučná, a.s. and sale of part of the Company's shareholding in the subsidiary ZSE MVE, s. r. o. (till 14 August 2014: ZSE prenos, s. r. o.).

On 30 June 2014, the Company as the sole shareholder of the company Západoslovenská distribučná, a.s. approved the decrease in its share capital by EUR 630,684 thousand by withdrawing 19 pieces of registered ordinary shares, each share of the nominal value of EUR 33,194 thousand for the pay-out of EUR 630,684 thousand to the shareholder. The reason and purpose of decrease in the share capital was the optimisation of internal capital structure of the company Západoslovenská distribučná, a.s. and the whole ZSE Group. The decrease in the share capital was incorporated into the Commercial Register on 26 July 2014. At 31 December 2014, part of the pay-out for shares withdrawn in amount of EUR 630,000 thousand is recognised as loan provided by the Company to its subsidiary Západoslovenská distribučná, a.s. (Note 9).

On 26 June 2014, the Company sold part of its shareholding in the subsidiary ZSE MVE, s. r. o. (till 14 August 2014: ZSE prenos, s. r. o.) in amount of EUR 6 thousands to the subsidiary ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.). Change in shareholdings was incorporated into the Commercial Register on 15 July 2014.

Name	Country of incorporation	% Ownership interest and voting rights held	Activities	Amount of investment at 31 December	
				2014	2013
ZSE Energy Solutions, s.r.o. ¹⁾	Slovak Republic	100%	Engineering	1,901	2,200
ZSE Development, s.r.o.	Slovak Republic	100%	Trading activities	564	564
ZSE MVE, s. r. o. ²⁾	Slovak Republic	11.3%	Electricity production	1	1
ZSE Energia, a.s.	Slovak Republic	100%	Purchase and sale of electricity and gas	6,725	6,725
Západoslovenská distribučná, a.s.	Slovak Republic	100%	Distribution of electricity	276,684	276,684
Investment in subsidiaries				285,875	286,174
E.ON Business Services Slovakia spol. s r. o.	Slovak Republic	49%	IT services	1,105	1,105
Investment in associates				1,105	1,105
Energotel, a.s.	Slovak Republic	20%	Data and telecommunication services	525	525
Investment in joint ventures				525	525
Other				2,601	71
Total				290,106	287,875

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Notes:

- 1) Based on resolution of sole partner dated 31 July 2014 the subsidiary Enermont s.r.o. was renamed to ZSE Energy Solutions, s.r.o. Change of business name was registered into the Commercial Register on 14 August 2014.
- 2) Based on resolution of sole partner dated 28 June 2014 the subsidiary ZSE prenos, s. r. o. was renamed to ZSE MVE, s. r. o. Change of business name was registered into the Commercial Register on 15 August 2014.

9 Loans provided

An overview of loans provided is presented in the table below:

	As at 31 December	
	2015	2014
Loans provided – Západoslovenská distribučná, a.s. including accrued interest	634,833	630,000
Total	634,833	630,000
<i>from this: short-term part – accrued interest repayable within 1 year</i>	4,833	-

More details about provided loans are presented in the table below:

	Principal in EUR	Interest	Maturity date
Loan 1	315 000 000	3.04% p.a.	1.10.2018
Loan 2	315 000 000	4.14% p.a.	1.10.2023
Total	630 000 000		

10 Financial instruments by category

All the Company's financial assets are classified in valuation category 'loans and receivables' according to IAS 39. All the Company's financial liabilities are measured at amortised cost using the effective interest rate method.

11 Inventories

The inventories included material and spare parts and are shown after provision for slow-moving materials and spare parts of EUR 2 thousand (31 December 2014: EUR 2 thousand). The cost of inventories recognized as expense and included in 'Consumption of material, energy and other consumption' amounted to EUR 2,479 thousand (2014: EUR 2,078 thousand) (Note 21).

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12 Trade and other receivables

	As at 31 December	
	2015	2014
Trade receivables not yet due	467	1,868
Individually impaired trade receivables	208	120
Less: Provision for impairment of receivables	(81)	(99)
Trade receivables – net	594	1,889
Receivables to subsidiaries not yet due	2,885	1,306
Receivables to subsidiaries past due but not impaired	18	30
Receivables to subsidiaries – total	2,903	1,336
Subtotal	3,497	3,225
Prepayments	189	247
Other receivables and other accrued income	374	611
Total trade and other receivables	4,060	4,083

The structure of trade receivables and other receivables by maturity is as follows:

	As at 31 December	
	2015	2014
Receivables within due date and not impaired	3,915	4,032
Overdue receivables (with impairment indicators)	226	150
Less: Provision for impairment of receivables	(81)	(99)
Total trade and other receivables	4,060	4,083

The ageing of overdue receivables was as follows:

	As at 31 December	
	2015	2014
1 to 30 days	125	19
31 to 60 days	3	-
61 to 90 days	-	-
91 to 120 days	2	3
121 to 180 days	(2)	-
181 to 360 days	-	6
Over 360 days	80	92
Total individually impaired receivables	208	120

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The movements in the provision for impairment of trade receivables are recognized in the Statement of comprehensive income under Other operating income. Movements are presented in the table below:

	2015	2014
At the beginning of the year	99	7,275
Additional provision for receivables impairment	-	-
Unused amounts reversed	(11)	(163)
Receivables written off during the year as uncollectible	(7)	(7,013)
At the end of the year	<u>81</u>	<u>99</u>

Provision for impairment of receivables is calculated in the amount of 100% of the value of individual receivables from companies in bankruptcy and receivables subject to court proceedings. Provision for impairment of other receivables is calculated based on ageing analysis of individual receivables and the type of the customer.

	As at 31 December	
	2015	2014
Receivables from Západoslovenská distribučná, a.s.	2,868	1,246
Receivables from ZSE Energia, a.s.	16	74
Receivables from ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.)	19	16
Receivables from ZSE Development, s.r.o.	-	-
	<u>2,903</u>	<u>1,336</u>
Receivables to subsidiaries not yet due	2,885	1,306
Receivables past due but not impaired	18	30
Receivables to subsidiaries	<u>2,903</u>	<u>1,336</u>

As of 31 December 2015, receivables to subsidiaries amounting to 18 thousand EUR were past due (at 31 December 2014: EUR 30 thousand), no receivables to subsidiaries are impaired (at 31 December 2014: EUR 0 thousand).

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13 Cash and cash equivalents

	As at 31 December	
	2015	2014
Cash at bank and in hand	26,652	24,930
Short term bank deposits	5,133	5,133
Total	31,785	30,063

All balances are neither past due nor impaired.

The effective interest rate on short term bank deposits was 0.1% in the year ended 31 December 2015 (in the year ended 31 December 2014: 0.1%) and these deposits had an average maturity of 1 day (in the year ended 31 December 2014: 1 day). As at 31 December 2015 Cash and cash equivalents were fully available to the Company's use excluding the restricted cash in the amount of EUR 133 thousand (as at 31 December 2014: EUR 133 thousand).

As at 31 December 2015, the Company issued guarantees in favour of its subsidiary ZSE Energia, a.s. in total amount of EUR 5,589 thousand.

14 Shareholders' equity

The total authorized number of ordinary shares is 5,934,594 shares with a par value of EUR 33.19 per share, representing the share capital of EUR 196,969 thousand. All authorized shares are issued and fully paid in. The Company does not have any share capital subscribed but not recorded in the Commercial Register.

No changes in share capital of the Company occurred during the year 2015 and year 2014.

Legal reserve fund is obligatorily created from profit of the Company in accordance with the Slovak Commercial Code, section 67. The minimum prescribed creation of the Legal reserve fund is specified in section 217 of the Commercial Code and it defines that the Company is obliged to create legal reserve fund in the amount of 10% of its share capital at the time of the incorporation of the Company. This amount must be increased annually by at least 10% from net profit, until the Legal reserve fund achieves 20% of the share capital, which was already fulfilled by the Company. Use of this fund is restricted under the Commercial Code only to cover losses of the Company and it is not a distributable reserve. Legal reserve fund amounted to EUR 39,421 thousand as at 31 December 2015 (as at 31 December 2014: EUR 39,421 thousand).

General Meeting of the Company held on 28 May 2015 approved the statutory financial statements for previous accounting period. Extraordinary General Meeting of the Company held on 28 October 2015 approved the distribution of 2014 profit amounting to EUR 61,361 thousand as follows:

Appropriation to the social fund	EUR 403 thousand
Dividends paid	EUR 60,958 thousand

Dividend per share represents EUR 10.27 for the year ended 31 December 2015 (2014: EUR 8.80 per share).

The accumulated profits of the Company at 31 December 2015 available for profit distribution amounted to EUR 103,797 thousand (2014: EUR 106,820 thousand). The Decision on the use of the 2015 profit of EUR 57,935 thousand will be made by the General Meeting.

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15 Trade and other payables

	As at 31 December	
	2015	2014
Trade payables	3,422	4,791
	<u>3,422</u>	<u>4,791</u>
Other payables and accrued expenses		
Payables to employees	524	580
Social security	325	336
Accrued personnel expenses	1,733	1,746
Other accrued liabilities	1,442	1,100
VAT payable	794	542
Other financial liabilities	489	-
Other payables	242	239
	<u>5,549</u>	<u>4,543</u>
	<u>8,971</u>	<u>9,334</u>

Out of the total payables at 31 December 2015, overdue payables are EUR 26 thousand (at 31 December 2014: EUR 200 thousand). All other payables are not yet due.

Social fund

Appropriations to and withdrawals from the social fund during the accounting period are shown in the following table:

	Year ended at 31 December	
	2015	2014
Opening balance at 1 January	8	8
Appropriations	499	558
Usage	(478)	(558)
Sale of part of the business	(1)	-
Closing balance at 31 December	<u>28</u>	<u>8</u>

16 Issued bonds

An overview of issued bonds is presented in the table below:

	As at 31 December	
	2015	2014
Non-current		
Bonds	628,187	627,775
Current		
Accrued interest repayable within 1 year	4,114	4,114
Total	<u>632,301</u>	<u>631,889</u>

The Company issued bonds on 14 October 2013 registered in form in name of bearer. Interest revenues from bonds are due on annual basis. They were accepted to quoted regulated market of the Irish Stock Exchange, Dublin.

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More details about issued bonds are presented in the table below:

	Emission amount in thousand EUR	Emission rate	Interest	Maturity date
ISIN: XS0979598207 series 1	315,000	100%	2.875% p.a.	14.10.2018
ISIN: XS0979598462 series 2	315,000	99.814%	4.000% p.a.	14.10.2023
Total	630,000			

17 Receivables and liabilities from cash pooling

	As at 31 December	
	2015	2014
Receivables from cash pooling	12,663	2,986
Total	12,663	2,986

	As at 31 December	
	2015	2014
Liabilities from cash pooling	35,854	24,149
Total	35,854	24,149

The Company has concluded with its subsidiaries and associate a cash-pooling agreement. Based on this agreement the available cash is managed by the Company. If the case of additional financing needs the cash from the cash pool of the Company is made available to subsidiaries and associate. The average interest rate on receivables from cash pooling in year 2015 was 0.23 % p.a. (2014: 0.45 % p.a.). The average interest rate on liabilities from cash pooling in year 2015 was 0.1 % p.a. (2014: 0.1 % p.a.).

Receivables from cash pooling from subsidiaries:

	As at 31 December	
	2015	2014
ZSE MVE, s. r. o. (till 14 August 2014: ZSE prenos, s. r. o.)	1,446	1,630
Západoslovenská distribučná, a.s.	11,217	1,356
Total	12,663	2,986

Liabilities from cash pooling to subsidiaries and associate:

	As at 31 December	
	2015	2014
ZSE Energia, a.s.	31,176	22,105
ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.)	1,430	844
ZSE Development, s.r.o.	571	605
E.ON Business Services Slovakia spol. s r. o.	2,677	595
Total liabilities from cash pooling (Note 32)	35,854	24,149

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18 Deferred income taxes

Deferred income taxes are calculated in the whole amount on temporary differences under the balance sheet liability method using a principal tax rate of 22% (2014: 22%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax receivable against income tax payable and when the deferred income taxes relate to the same fiscal authority.

The offset amounts are as follows:

	As at 31 December	
	2015	2014
Deferred tax asset:		
to be recovered after more than 12 months	448	392
to be recovered within 12 months	486	346
	<u>934</u>	<u>738</u>
Deferred tax liability:		
to be recovered after more than 12 months	(2,246)	(2,052)
to be recovered within 12 months	(172)	(272)
	<u>(2,418)</u>	<u>(2,324)</u>
Total deferred tax (liability)/asset	<u>(1,484)</u>	<u>(1,586)</u>

The movement in deferred tax assets and liabilities during the year 2015 was as follows:

	As at 1 January 2015	(Charged)/ credited to the profit or loss	(Charged)/ credited to other comprehensive income	As at 31 December 2015
Non-current tangible assets	(2,324)	(94)	-	(2,418)
Pension liability and similar provisions	423	(13)	(15)	395
Other provisions and accrued expenses	310	161	-	471
Provisions against bad debts	5	(3)	-	2
Other	-	66	-	66
Total	<u>(1,586)</u>	<u>117</u>	<u>(15)</u>	<u>(1,484)</u>

The movement in deferred tax assets and liabilities during the year 2014 was as follows:

	As at 1 January 2014	(Charged)/ credited to the profit or loss	(Charged)/ credited to other comprehensive income	As at 31 December 2014
Non-current tangible assets	(2,258)	(66)	-	(2,324)
Pension liability and similar provisions	1,656	(1,198)	(35)	423
Other provisions and accrued expenses	935	(625)	-	310
Provisions against bad debts	90	(85)	-	5
Total	<u>423</u>	<u>(1,974)</u>	<u>(35)</u>	<u>(1,586)</u>

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(All amounts are in thousands of Euro unless stated otherwise)

19 Pension and other provisions for liabilities and charges

Provision for pension and other staff benefits:

	2015	2014
As at 1 January	1,922	2,164
Additional provisions	140	-
Used/paid during year	(71)	(95)
Reversal on unused provisions	-	(147)
Sale of part of the business	(195)	-
As at 31 December	1,796	1,922

	As at 31 December	
Analysis of total provisions	2015	2014
Non-current	1,730	1,759
Current	66	163
	1,796	1,922

(a) Pension and other staff benefits

The following amounts have been recognized with respect of the defined benefit pension plan and other long-term employee benefits:

(i) post-employment benefits

Movements in the present value of defined benefit obligations are:

	As at 31 December	
	2015	2014
Present value of unfunded retirement obligations at beginning of the year	1,642	1,799
Current service cost	143	(26)
Interest expense	32	56
Paid	(56)	(56)
Other	-	1
Actuarial (gains)/losses recognised in other comprehensive income	(59)	(132)
Sale of part of the business	(150)	-
Present value of unfunded retirement obligations at the end of the year	1,552	1,642

The principal actuarial assumptions and data to determine the provision for retirement were as follows:

	2015	2014
Number of employees at 31 December	303	364
Percentage of employees, who will terminate their employment with ZSE prior to retirement (withdrawal rate)	4.61% p.a.	4.65% p.a.
Expected salary increases short-term	3.0% p.a.	3.5% p.a.
Expected salary increases long-term	3.0% p.a.	3.3% p.a.
Discount rate	1.8% p.a.	2.0% p.a.

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(ii) other long-term benefits (life and work jubilee bonuses)

Movements in the present value of other long-term benefits are:

	As at 31 December	
	2015	2014
Present value of the obligation at beginning of the year	280	365
Current service cost	39	(32)
Interest expense	7	12
Paid	(26)	(39)
Actuarial (gains)/losses recognised in profit and loss	(11)	(26)
Sale of part of the business	(45)	-
Present value of obligations at the end of the year	244	280

20 Revenues

Revenues include the following:

	Year ended 31 December	
	2015	2014
Services provided to subsidiaries, associates and to the shareholder	42,822	57,118
Other revenues	1,374	1,121
	44,196	58,239

21 Consumption of material, energy and other consumption

The following amounts have been charged to consumption of material, energy and other consumption:

	Year ended 31 December	
	2015	2014
Fuel consumption	2,073	1,501
Energy consumption	1,038	1,326
Consumption of material and spare parts	483	680
Other consumption	3,204	2,781
	6,798	6,288

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(All amounts are in thousands of Euro unless stated otherwise)

22 Operating expenses

	Year ended 31 December	
	2015	2014
Wages and salaries	7,964	8,299
Pension costs – defined contribution plans	1,340	1,266
Other social costs	3,160	3,175
	12,464	12,740
IT maintenance fees	2,725	9,937
Depreciation (Note 5 and 7)	3,134	3,446
Amortisation (Note 6)	536	3,686
Rental costs	3,634	3,716
Post and telecommunication costs	3,317	3,218
Call centre services	-	2,881
Advisory services	909	1,754
Other repairs and maintenance	418	846
Other operating expenses	589	564
Advertising	424	482
Security services	1,212	1,257
Gifts	647	786
Travel expenses	150	97
Repairs and maintenance of machinery	240	349
Audit of financial statements	60	58
Other non-audit services	19	19
Other purchased services	3,636	2,175
	34,114	48,011

23 Dividend income

The Company had dividend income from following companies:

	Year ended 31 December	
	2015	2014
Západoslovenská distribučná, a.s.	42 983	48,630
ZSE Energia, a.s.	8 727	12,674
ZSE Energy Solutions, s.r.o. (till 13 August 2014: Enermont s.r.o.)	231	3,818
E.ON Business Services Slovakia spol. s r. o.	398	385
Other	347	244
	52,686	65,751

24 Other operating income

	Year ended 31 December	
	2015	2014
Income from rental	2,823	2,675
Gain on sale of part of the business	29	2,521
Gain on disposal of fixed assets	382	171
Other	1,253	1,785
	4,487	7,152

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25 Finance expenses

	Year ended 31 December	
	2015	2014
Interest expenses:		
- Interests from bonds	21,656	21,656
- other interests	85	118
Other finance expenses:		
- finance expenses related to bonds	580	573
- other	938	192
	<u>23,259</u>	<u>22,539</u>

26 Finance income

	Year ended 31 December	
	2015	2014
Interests from loans to Západoslovenská distribučná, a.s.	22,617	9,235
Other interests	146	87
	<u>22,763</u>	<u>9,322</u>

27 Income tax expense

The reconciliation between the reported income tax charge and the theoretical amount that would arise using the statutory tax rates is as follows:

	Year ended 31 December	
	2015	2014
Income before tax	59,961	63,626
Theoretical income tax at 22% (2014: 22%)	13,191	13,998
Dividend income not subject to tax	(11,591)	(14,465)
Effect of change of the tax rate to 22%	-	-
Effect of other comprehensive income to deferred tax	(15)	(35)
Other tax non-deductible items	441	2,767
Total recognized income tax expense	<u>2,026</u>	<u>2,265</u>
The tax charge for the period comprises:		
Deferred tax charge/(credit) (Note 18)	(117)	1,974
Tax charge in respect of current period	2 143	291
Total	<u>2,026</u>	<u>2,265</u>

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28 Contingencies

Taxation

Due to the fact that Slovak tax law contains certain provisions allowing for more than one interpretation, as well as the practice, developed in the generally unstable environment by the tax authority of making arbitrary judgements on business activities, management's interpretation of the Company's business activities may not coincide with the interpretation of these activities by the tax authorities. In general, the fiscal years from 2010 through to 2015 remain open to tax inspection.

29 Commitments

(i) Capital commitments

At 31 December 2015 the Company concluded contracts for purchase of non-current assets in amount of EUR 2,496 thousand which are effective after this date (31 December 2014: EUR 1,962 thousand).

(ii) Operating lease commitments – the Company as lessee

The operating lease payments in year 2015 amounted to EUR 3,634 thousand (2014: EUR 3,716 thousand). These lease payments are recorded as expenses on a straight-line basis over the lease term.

The future aggregate minimum lease payments under non-cancellable operating leases for each of the following periods are due as follows:

	Year ended 31 December	
	2015	2014
No later than one year	2,658	2,636
Later than one year and no later than five years	6,187	5,851
Later than five years	666	717
	<u>9,511</u>	<u>9,204</u>

As at 31 December 2015 and as at 31 December 2014 the Company leases cars and various premises for business and administrative purposes under operating leasing contracts.

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30 Cash generated from operating activities

	Note	Year ended 31 December	
		2015	2014
Profit before tax		59,961	63,626
Adjustments for:			
Depreciation	5,7	3,134	3,446
Amortisation	6	536	3,686
Profit on sale of property, plant and equipment		(374)	(171)
Profit on sale of part of the business	24,31	(29)	(2,521)
Interest income	26	(22,763)	(9,322)
Interest expense	25	21,741	21,774
Other expenditures related to issued bonds		477	573
Dividend income	22	(52,686)	(65,751)
Impairment to non-current financial asset	8	299	-
Net movements in provisions		102	212
Other non-cash items movements		(8)	2
Changes in working capital:			
Inventories		(22)	(32)
Trade and other receivables		23	(2,776)
Receivables/Liabilities from cash pooling	17	2,028	(12,894)
Trade and other payables		1,836	(7,171)
Cash generated from operating activities		14,255	(7,319)

	Year ended 31 December	
	2015	2014
Net book value of sold asset	250	316
Profit on sale of property, plant and equipment	374	171
Proceeds from sale of property, plant and equipment	624	487

31 Sale of part of the business

From 1 January 2014, the provision of investment services, construction works, repair and maintenance services and operation of distribution network by the Company has been contributed into the subsidiary Západoslovenská distribučná, a.s. and from 1 January 2015, the provision of customer services by the Company has been contributed into the subsidiaries Západoslovenská distribučná, a.s. and ZSE Energia, a.s. within the sale of part of the business.

Assets and liabilities sold on 1 January 2014 were in financial statements as at 31 December 2013 recognised as held for sale within discontinued operations of the Company.

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The details of the assets and liabilities sold within sale of part of the business and selling price are presented in the following table:

The carrying amounts of assets and liabilities sold	As at 1 January	
	2015	2014
Property, plant and equipment	-	1,377
Intangible assets	5,487	3,331
Inventories	-	1,280
Trade and other receivables including inter-company	-	35,202
Trade and other payables	(1,661)	(14,485)
Pension and other provisions for liabilities and charges	(311)	(5,362)
Net assets	3,515	21,343
Profit before tax on sale of part of the business (Note 24 and 30)	29	2,521
Proceeds from sale of part of the business	3,544	23,864

32 Related party transactions

During the periods presented in these financial statements, the Company had transactions with following related parties:

- (i) Shareholders with joint control over the Company – E.ON and Government of the Slovak Republic,
- (ii) Entities under control of shareholders in point (i),
- (iii) Subsidiaries,
- (iv) Associates,
- (v) Joint ventures, and
- (vi) key management personnel of the Company or its parent.

Routine trading transactions with the Slovak Government, including its departments and agencies, and transactions between state-controlled entities, which are providers of public utilities and services, for which standard commercial terms and conditions have been applied, and which do not represent a significant portion of a type of transaction, are excluded from the scope of related party disclosures. In case of disclosure of transactions with government related parties the Company has applied exemption under IAS 24 paragraph 25.

Information on individually significant transactions with government institutions and companies and aggregate information on all significant transactions with other related parties during the year 2015:

	Shareholders with joint control	Entities under control of shareholders	Subsidiaries	Associates	Joint ventures
Payment of dividends	60,958	-	-	-	-
Sales	513	123	67,786	621	1,102
Purchases	-	1,079	1,804	3,613	1,858
Expenses for property and motor vehicle tax	217	-	-	-	-
Receivables except taxes	5	367	650,351	1	107
Payables except taxes	-	28	33,581	2,677	85

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Information on individually significant transactions with government institutions and companies and aggregate information on all significant transactions with other related parties during the year 2014:

	Shareholders with joint control	Entities under control of shareholders	Subsidiaries	Associates	Joint ventures
Payment of dividends	52,213	-	-	-	-
Sales	606	91	68,649	635	1,102
Purchases	-	398	1,761	12,667	1,697
Expenses for property and motor vehicle tax	232	-	-	-	-
Receivables except taxes	-	1,534	634,322	24	107
Payables except taxes	4	6	23,567	3,288	71

Income tax is presented in Note 27. VAT payable is presented in Note 15.

Information on loan provided to the subsidiary is presented in Note 9. Information on receivables and liabilities from cash pooling is presented in Note 17.

The Company's sales related mainly to supporting services provided to subsidiaries. The services sold to the subsidiaries and to the shareholder are provided based on service level agreements concluded for indefinite time period with cancellation notice of 3 months.

There are no other sales commitments with related parties as of 31 December 2015 and 2014 other than disclosed above.

(vi) Key management personnel of the Company or its parent

Members of the Board of Directors
Members of the Supervisory Board
Divisional directors

	Year ended 31 December	
	2015	2014
<i>Board of directors and key management personnel</i>		
Salaries and short-term employee benefits	773	657
Pension costs – defined contribution plans	56	53
Total	829	710
<i>Supervisory board</i>		
Salaries and short-term employee benefits	124	124
Pension costs – defined contribution plans	21	21
Total	145	145

Západoslovenská energetika, a.s.

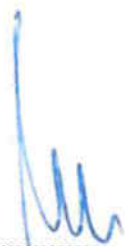
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33 Events after the end of the reporting period

After 31 December 2015, no significant events have occurred that would require recognition or disclosure in the 2015 financial statements.

Written record of members of entity's statutory body



.....
Jochen Kley
Chairman of the Board of Directors and CEO



.....
Marian Rusko
Member of the Board of Directors