Slovenská elektrizačná prenosová sústava, a.s.

Independent Auditor's Report and Consolidated Financial Statements for the year ended 31 December 2012

Prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

Index to the Consolidated Financial Statements

KPMG

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Translation of the statutory Auditor's Report originally prepared in Slovak language

Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Slovenská elektrizačná prenosová sústava, a.s.:

We have audited the accompanying consolidated financial statements of Slovenská elektrizačná prenosová sústava, a.s. ("the Company"), which comprise the statement of consolidated financial position as at 31 December 2012, the consolidated 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 Consolidated Financial Statements

Management as represented by the statutory body is responsible for the preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

28 March 2013
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Richard Farkaš
License SKAU No. 406

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

	Note	As of 31 December 2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	5	680,150	675,833
Intangible assets	6	17,248	18,375
Non-current financial assets	9	-	15
Other investments	8	62	62
Receivables		-	1
		697,460	**694,286**
Current assets			
Inventories	11	948	7,199
Trade and other receivables	12	42,547	38,054
Current financial assets	9	15	15
Cash and cash equivalents	13	194,397	92,837
		237,907	**138,105**
Non-current assets held for sale	7	2,732	2,732
Total assets		**938,099**	**835,123**
EQUITY			
Share capital and reserves attributable to equity holders of the Company			
Share capital	14	81,833	81,833
Legal reserve fund	14	16,464	16,366
Other reserves	14	145,151	126,145
Revaluation reserve	14	196,846	237,382
Retained earnings		137,810	70,560
Total equity		**578,104**	**532,286**
LIABILITIES			
Non-current liabilities			
Non-current bank loans	16	23,100	33,100
Grants and other deferred revenue	17	75,097	47,585
Liabilities related to derivatives transactions	15	220	670
Deferred tax liability	18	67,045	55,284
Non-current provisions for liabilities and charges	19	4,646	3,506
		170,108	**140,145**
Current liabilities			
Current bank loans	16	10,000	10,000
Trade and other payables	15	170,304	137,225
Grants and other deferred revenue	17	3,241	11,450
Provisions for current liabilities and charges	19	33	33
Current income tax payable		6,309	3,984
		189,887	**162,692**
Total liabilities		**359,995**	**302,837**
Total equity and liabilities		**938,099**	**835,123**

The consolidated Financial Statements for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were approved and authorized for issue on 28 March 2013 by the Board of Directors.

....

Ing. Miroslav Stejskal
Chairman of the Board of Directors

....

Ing. Martin Malaník
Member of the Board of Directors

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

	Note	Year ended 31 December 2012	2011
Revenues	20	534,789	504,987
Capitalized costs		717	5
Consumables and services	21	(352,085)	(364,459)
Personnel costs	22	(23,592)	(20,676)
Depreciation and amortisation	5.6	(59,339)	(58,362)
(Impairment) / Reversal of impairment of fixed assets	5	35	210
Negative revaluation difference	5	-	(15,350)
Other operating income	24	5,104	12,029
Other operating expense	23	(3,566)	(5,399)
Operating profit		**102,063**	**52,985**
Interest income	25	226	291
Intereste expense	25	(443)	(800)
Other finance income/(expense)	25	(225)	(270)
Finance cost, net		**(442)**	**(779)**
Profit before tax		**101,621**	**52,206**
Income tax expense	26	(22,748)	(9,918)
Profit for the year		**78,873**	**42,288**
Other comprehensive income			
Revaluation of property, plant and equipment		-	328,026
Deferred tax from revaluation of property, plant and equipment		(11,681)	(62,325)
Total comprehensive income		**67,192**	**307,989**
Profit attributable:			
Owners of the parent		78,873	42,288
Non-controlling interest		-	-
Profit for the year		**78,873**	**42,288**
Total comprehensive income attributable to:			
Owners of the parent		67,192	307,989
Non-controlling interest		-	-
Total comprehensive income for the period		**67,192**	**307,989**

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

	Share capital	Legal reserve fund	Other funds	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2011	**81,833**	**16,366**	**104,890**	**-**	**39,042**	**242,131**
Net profit for the year 2011	-	-	-	-	42,288	42,288
Other comprehensive income	-	-	-	237,382	28,319	265,701
Total comprehensive income for the year 2011	**-**	**-**	**-**	**237,382**	**70,607**	**307,989**
Dividends paid (Note 14)	-	-	-	-	(17,834)	(17,834)
Profit appropriation to Statutory Fund (Note 14)	-	-	21,255	-	(21,255)	-
Balance at 31 December 2011	**81,833**	**16,366**	**126,145**	**237,382**	**70,560**	**532,286**
Balance at 1 January 2012	**81,833**	**16,366**	**126,145**	**237,382**	**70,560**	**532,286**
Net profit for the year 2012	-	-	-	-	78,873	78,873
Other comprehensive income	-	-	-	(40,536)	28,855	(11,681)
Total comprehensive income for the year 2012	**-**	**-**	**-**	**(40,536)**	**107,728**	**67,192**
Dividends paid (Note 14)					(21,374)	(21,374)
Profit appropriation to Statutory Fund (Note 14)	-	-	19,006	-	(19,006)	-
Appropriation to Reserve Fund	-	98	-	-	(98)	-
Balance at 31 December 2012	**81,833**	**16,464**	**145,151**	**196,846**	**137,810**	**578,104**

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

	Note	Year ended 31 December 2012	2011
Cash flows from operating activities			
Cash generated from operations	30	199,523	159,445
Income tax paid		(20,344)	(17,562)
Interest received		171	291
Net cash generated from operating activities		**179,350**	**142,174**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(46,287)	(89,809)
Proceeds from sale of property, plant and equipment	30	311	331
Interest received		-	3
Repayment of loan granted to the company CAO	9	15	30
Net cash used in financing activities		**(45,961)**	**(89,445)**
Cash flows from financing activities			
Proceeds / (repayments) of loans		(10,000)	(10,000)
Interest paid		(455)	(778)
Dividends paid	14	(21,374)	(17,834)
Net cash used in financing activities		**(31,829)**	**(28,612)**
Net increase (+) / decrease (-) in cash and cash equivalents		**101,560**	**24,117**
Cash and cash equivalents at the beginning of the year	13	**92,837**	**68,720**
Cash and cash equivalent at the end of the year	13	**194,397**	**92,837**

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

1 General Information

Slovenská elektrizačná prenosová sústava, a.s., ("the parent company", "SEPS, a.s.") is one of three joint stock companies established (pursuant to the Commercial Register) in the Slovak Republic on 21 January 2002 (date of establishment: 13 December 2001) from the process of the division of its predecessor Slovenské elektrárne, a.s. ("SE", "SE, a.s.").

Consolidated financial statements comprise of the financial statements of the Group and the sole subsidiary OKTE, a.s. (hereinafter "the subsidiary"), which has been controlled as at 31 December 2012 and during the year then ended (hereinafter "the Group"). OKTE, a.s. is 100% subsidiary SEPS, a.s. OKTE, a.s. was established on 20 July 2010 by separation of deviation settlement and short-term electricity market organizator in accordance with the Act No. 656/2004 Coll. on Energy. OKTE, a.s. was included for the first time to the consolidated financial statements as at 31 December 2011. Parent company SEPS, a.s. prepares a consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union ("EU").

The principal activities of the Group comprise the transmission of electricity in the country of the Slovak Republic through 220 kV, 400 kV and, in a small part, through 110 kV lines and electric stations of the transmission grid, including electricity import, export and transit. The Group is also responsible for maintaining a balanced electricity grid in the Slovak Republic and balancing the production and usage of electricity during the time which is performed using the system services. The Group also performs deviation settlement and organizes short-term electricity market.

The Bohunice International Decommissioning Support Fund („BIDSF") was established in relation to the shut-down of a power plant in Jaslovské Bohunice. The main purpose of this Fund is to finance or to co-finance the preparation and implementation of selected projects ("authorized projects") related to providing the technical assistance and/or goods, work and services with respect to support the shut-down of the power plant in Jaslovské Bohunice as a result of a decision of the Slovak Republic to do so. The Fund supports the reconstruction, improvement and modernization of the energy production, transmission and distribution sectors and increases their efficiency.

The Group operates in accordance with the Act on Energy and the relavant legislation. Office of Network Industries of the Slovak Republic (hereinafter „URSO") controls particular aspects of the relationship of the parent company and subsidiary and with its customers, including rates of the services provided.

The structure of the parent company's shareholders at 31 December 2012 was as follows:

	Absolute amount thousands EUR	**Ownership interest and voting rights %**
Slovak republic represented by Ministry of Finance	81,833	100%
Total	**81,833**	**100%**

According to the Decree of Slovak government Nr. 481 dated 19 September 2012, The National Property Fund of the Slovak Republic, based in Bratislava, Drieňová 27, transferred the shares of the Company without compensation to the Slovak Republic, on behalf of which acts the Ministry of finance of the Slovak Republic. As a result of this, effective 2 October 2012, the Slovak Republic, on behalf of which acts the Ministry of finance of the Slovak Republic, became the sole shareholder, who owns 100% of shares of the Company as well as 100% of voting rights.

The Group is not a shareholder with an unlimited liability in other entities.

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

The members of the parent company's statutory bodies during the year ended 31 December 2012 were as follows:

Body	Function	Name
Board of Directors	Chairman	Ing. Miroslav Stejskal from 20 June 2012
	Chairman	Ing. Ján Horkovič until 19 June 2012
	Vice-Chairman	Ing. Michal Pokorný from 26 April 2012
	Vice-Chairman	Ing. Igor Grošaft until 26 April 2012
	Member	Ing. Martin Malaník from 6 September 2012
	Member	Ing. Alojz Bernát from 20 June 2012 until 31 July 2012
	Member	Ing. Alexander Kšiňan from 20 June 2012
	Member	doc. Ing. Miroslav Rapšík, CSc. from 20 June 2012
	Member	Ing. Michal Pokorný until 26 April 2012
	Member	Ing. Martin Bonko until 19 June 2012
	Member	Ing. Emil Krondiak until 19 June 2012
Supervisory Board	Chairman	Ing. Peter Matejíček from 20 June 2012
	Chairman	Ľubor Benkovič until 19 June 2012
	Vice-Chairman	Ing. Ján Oráč
	Vice-Chairman	Ing. Pavol Fandl from 20 June 2012
	Vice-Chairman	Ing. Peter Kollárik until 19 June 2012
	Member	Michal Sokoli
	Member	Ing. Marián Mihalda from 20 February 2012
	Member	Milan Duchoň from 20 February 2012
	Member	Ing. Dušan Ševčík from 20 June 2012 until 20 December 2012
	Member	Ing. Roman Masár from 20 June 2012
	Member	Ing. Rastislav Januščák from 20 June 2012
	Member	Ing. Ján Horváth from 20 June 2012
	Member	Prof. Ing. František Janíček, PhD. from 20 June 2012
	Member	Ing. Július Laššan from 20 June 2012
	Member	Jaroslav Stratený until 19 February 2012
	Member	Ing. Anna Bubeníková until 17 April 2012
	Member	RNDr. Jozef Mertan until 19 June 2012
	Member	Vojtech Ravasz until 19 June 2012
	Member	Ing. Lajos Csóka until 19 June 2012
	Member	Ing. Pavol Faktor until 19 June 2012
	Member	Ing. Anton Letko, MBA until 19 June 2012
Executive management	General Director	Ing. Miroslav Stejskal from 21 June 2012
	General Director	Ing. Ján Horkovič until 20 June 2012
	Managing Director of Operations	Ing. Alexander Kšiňan from 21 June 2012
	Managing Director of Operations	Ing. Martin Bonko until 20 June 2012
	Managing Director of SED and Commerce	Ing. Michal Pokorný
	Managing Director of Economics	Ing. Martin Malaník from 11 Septemebr 2012
	Managing Director of Economics	Ing. Alojz Bernát from 21 June 2012 until 10 September 2012
	Managing Director of Economics	Ing. Igor Grošaft until 20 June 2012
	Development and Capital Investment	doc. Ing. Miroslav Rapšík, CSc. from 21 June 2012
	Development and Capital Investment	Ing. Emil Krondiak until 20 June 2012

The Company employed 525 personnel on average during 2012 (2011: 507), 10 of which were management (2011: 8).

Registered address and identification number of the parent company

Mlynské nivy 59/A
824 84 Bratislava
Slovak Republic

Identification number (IČO) of the Company is: 358 291 41
Tax identification number (IČ DPH) of the Company is: SK 2020261342

Registered address of the subsidiary company

OKTE, a.s.
Mlynské nivy 59/A
821 09 Bratislava
Slovak Republic

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1. Basis for preparation of the Consolidated Financial Statements

Legal reason for preparing the consolidated Financial Statements:
The Group's Financial Statements at 31 December 2012 have been prepared as consolidated Financial Statements under § 22 (2) of the Slovak Act No. 431/ 2002 Coll. ("Accounting Act") for the accounting period from 1 January 2012 to 31 December 2012.

The Accounting Act requires the Group to prepare Consolidated Financial Statements for the year ended 31 December 2012 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

These consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. The Group applies all IFRS and interpretations issued by International Accounting Standards Board (hereinafter "IASB"), as amended by the European Union, which were in force as of 31 December 2012.

These financial statements have been prepared on the historical cost basis, except for the valuation of property, plant and equipment, which were revalued using the revaluation model under IAS 16 and except for derivative financial instruments that are valued at fair value as at the reporting date.

The financial statements were prepared on accrual basis and under the going concern principle.

The preparation of the consolidated Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in Note 4.

These consolidated Financial Statements are prepared in thousands Euros ("EUR thousand").

2.2. Changes in the accounting policies

There have not been any changes in the accounting policies during the year ended 31 December 2012. The Company has evaluated and examined the impact of the following amendments on the consolidated financial statements.

Amendments to IFRS 7 Financial Instruments: Reporting

IFRS 9 Financial Instruments

Amendments to IAS 12 Deferred Tax: Recovery of Underlying assets

These changes do not have significant impact on the consolidated financial statements of the Group.

2.3. Consolidation principles

Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than 50% in the voting rights or otherwise has power to exercise control over their operations; and are included in the consolidated financial statements. Subsidiaries are consolidated as of the date when the Group gained control. All receivables and payables, disposals and purchases, as well as expenses, revenues, profits and losses on transactions within the Group are eliminated.

All acquisitions of subsidiaries are accounted at cost. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. If the cost of the business combination exceeds the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, the difference is disclosed as goodwill.

2.4. Investments

Investments are carried at historical cost in these consolidated Financial Statements. The historical cost comprise the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the investment at the time of their acquisition.

2.5. Foreign currency transactions and translation

(i) Functional and presentation currency of the consolidated Financial Statements

Items included in these consolidated Financial Statements are presented in thousands of euro, which is the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated Financial Statements are presented in thousands of euro.

(ii) Transactions and balances

Transactions in foreign currency are translated into the functional currency using the reference exchange rates determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of the accounting transaction or at any other day if required by special regulation. At the reporting date, the assets and liabilities (except advance payments made and advance payments received) are translated into the functional currency using the reference exchange rates determined and declared by the European Central Bank or National Bank of Slovakia as at the reporting date. The transaction in foreign currency are retranslated into the functional currency using the exchange rate valid at the date of the accounting transaction. 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 the consolidated Statement of Comprehensive Income.

2.6. Property, plant and equipment

The property, plant and equipment is carried at cost less accumulated depreciation out accumulated impairment losses, with exception to the revaluation model adopted for certain classes of property, plant and equipment.

(i) Cost

Cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs related to the loans received, which are directly attributable to the acquisition or production of an asset, are included in the cost of the asset.

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 Group 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 consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Property, plant and equipment as at the date of establishment of the parent company comprise assets that were acquired as a result of the separation of Slovenské elektrárne, a.s., into three legal entities. These assets were transferred at their original cost with related accumulated depreciation.

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

The most significant part of property, plant and equipment is represented by the network. The network mainly includes power lines, pylons and switching stations. Useful life of network assets varies between 40 and 80 years (2011: between 40 and 80 years).

(ii) Revaluation

In 2011 property, plant and equipments were for the first time carried in revaluated amounts as at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The first revaluation of property, plant and equipment was made as at 1 January 2011. The revaluation was made by an independent expert. The revaluations will be carried with sufficient regularity (at least every five years) to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The increase in the carrying amount of property, plant and equipment as a result of revaluation is recognised in other comprehensive income and accumulated in equity under the heading revaluation surplus. The increase in revaluation of carrying amount of property, plant and equipment is recognized in the profit or loss only to the extent that it reverses a revaluation (i.e. negative revaluation difference) of the same asset previously recognised in consolidated income statement.

A decrease in carrying amount of property, plant and equipment as a result of revaluation is recognised in the income statement. The decrease in revaluation of carrying amount of property, plant and equipment is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. Depreciation of revaluated items of property, plant and equipment is recognized as an expense in the income statements. Revaluation surplus is transfered to the equity proportially over the asset useful life. In such case, the amount of the surplus transferred represent a difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original costs. In case of sale of asset or its derecognition is the remaining balance of the revaluation surplus transferred to the retained earnings.

(iii) Depreciation

The depreciation of property, plant and equipment starts in the month when the property, plant and equipment is available for use. Property, plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. 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. The estimated useful lives of individual groups of assets are as follows:

	2012	2011
Buildings, halls, networks and constructions	40 - 80 years	40 - 80 years
Machines, equipment and vehicles	12 – 30 years	12 – 30 years
Other property, plant and equipment	4 years	4 years

Buildings, halls and constructions include mainly switching stations, administrative buildings, transmission lines, halls, transformers and control rooms, pylons, towers, tanks, communications, elevated power lines.

Machines, equipment and vehicles include mainly hardware machines, tools and equipment, vehicles, radio relay point and cables.

Land and assets under construction are not depreciated.

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

Expenditures to acquire the property, plant and equipment subsequent to initial recognition are recognized as an item of proprerty, plant and equipment only if it is probable that they will enhance the future economic benefits beyond its original performance. All other expenses are recognized as repair and maintenance costs in the period to which it is incurred.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Items that are retired or otherwise disposed of are eliminated from the consolidated Statement of Financial Position, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

In accordance with IAS 36, as at the date of preparation of conslidated financial statements, an assessment of impairment indicators is made that would indicate the recoverable amount of property, plant and equipment would be less than its carrying value. In case any indicator exists at the balance sheet date, the recoverable amount of property, plant and equipment is estimated which is a higher of the fair value less cost to sell and value in use (i.e. the present value of future cash flows). Any impairment loss on property, plant and equipment is recognized in the consolidated Income Statement in the period in which the impairment occurs. The discount rates used in calculating the present value of future cash flows comes from the position of the Group as well as from economic environment of the Slovak Republic as at the balance sheet date. In case the Group decides to stop the investment project or significantly delay its scheduled termination, it considers any reduction of its value and, where appropriate, record the impairment loss.

2.7. 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 Group, 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 and included in the cost of an asset. The Group does not have intangible assets with indefinite useful lives. Intangible assets are amortized on the straight-line basis over their useful lives.

The amortisation of an intangible asset starts in the month when the intangible asset is put in use. Intangible assets are depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the intangible assets.

Residual value of intangible assets is assumed to be zero unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

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 Group are recognized 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 4 years. Intangible assets are depreciated over 4 years, easement of access according to the conditions stated in the Contract on easement of access.

2.8. Impairment of non-financial assets

Assets that have an indefinite useful life and intangible assets not yet in use are not subject to amortization and are tested for impairment annually. Land, construction in progress and assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be higher as a recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 each reporting date, i.e. release of respective value adjustments.

2.9. Non-current assets held for sale

Non-current assets 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. They are stated at the lower of carrying amount and fair value less cost to sell.

2.10. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through the consolidated Income Statement, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired, whether they are quoted in an active market and on management intentions.

Financial assets are initially recognized at fair value plus transaction costs (in case of financial assets) and less transaction costs (in case of financial liabilities) except for the financial assets carried at fair value through the consolidated Income Statement. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated Statements of Comprehensive Income.

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset.

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Management determines the classification of its investments at initial recognition.

Financial assets at fair value through consolidated Statements of Comprehensive Income

Financial assets at fair value through consolidated Statements of Comprehensive Income include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term or to mitigate risks. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Financial assets in this category are classified as current.

Realized and unrealized gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss " are recognized in consolidated income statement in which the fair value changed.

Loans and receivables

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

Loans and receivables are carried at amortised cost using the effective interest method.

Loans and receivables are disclosed as part of non-current and current financial assets, trade receivables and cash and cash equivalents on the consolidated Statement of Financial Position.

Loans and receivables represent outstanding loan granted to company Central Auction Office ("CAO") (the Company owns 12.5% share in this company), trade receivables and cash and cash equivalents.

2.11. Leases

IAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use the asset for an agreed period of time.

The Group is a lessee of certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of the ownership of the asset are classified as finance leases. Finance leases are recognized as assets and liability in the consolidated Statement of Financial Position at amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the commencement of the lease.

Each lease payment is split into the liability and finance charges in order to achieve a constant periodic rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of future finance charges, are included in non-current and current bank loans and other borrowings. Finance charges are included in interest expense in the consolidated Statement of Comprehensive Income.

If there is reasonable certainty that the lessee will obtain ownership of the asset by the end of the lease term, the period of expected use is the useful life of the asset and the asset is depreciated accordingly; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

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 consolidated Income Statement on a straight-line basis over the period of the lease.

The Group is a lessee under the term of operating lease. The rental related to the operative lease is expensed on a straight-line basis over the period of the lease in the consolidated Financial Statements.

2.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost method. The acquisition costs include all costs associated with the acquisition of the inventories such as customs duties or transportation costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling costs.

2.13. Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, net of value adjustment. Revenue recognition policy is described in the Note 2.23.

The risk of customers' insolvency is managed by financial guarantees received from customers which can be used in case the customers' debts are not settled when became due.

Value adjustment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the value adjustment is the difference between the asset's carrying amount and the present value of the estimated future cash flow discounted by the original effective interest rate.

Value adjustment of trade receivables is recognized through an allowance account. Impairment losses and their reversals, if any, are recognized in the consolidated Statement of Comprehensive Income within other operating expenses or income. Trade receivables that cannot be collected are written off. Trade receivables that were written off and are subsequently repaid by the debtors are recognized in the consolidated Statement of Comprehensive Income within other operating income.

2.14. Cash and cash equivalents

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

2.15. Share capital

Ordinary shares are classified as share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. However, the 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 that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred 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 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 Group and it is probable that the temporary difference will not reverse in the foreseeable future. Dividend income is not subject to income taxes in the Slovak Republic.

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

According to act 235/2012 Z. z. the parent company is obliged in the period from 1 September 2012 till 31 December 2013 to pay special levy from operations in regulated industry. The levy is calculated from the profit realized according to the Slovak Act on Accounting. Value of this levy is included in the item 'Income tax expense".

2.17. Grants and contributions related to acquisition of property and equipment

Grants and contributions are recognized at their nominal value where there is a reasonable certainty that the grant or contribution would be received and the Group would comply with all attached conditions. Grants and contributions relating to acquisition of property and equipment were accounted for by setting up the grant as deferred income, which was recognized as other income over the life of related depreciable asset in connection with the grant approved by EBRD for the Reconstruction – Structure 2, Part 2 and Structure 3 in Križovany, with the grant approved by EBRD for Lemešany - Košice - Moldava – Structure 4. The Group also has a grant approved by EBOR in the amount of EUR 76 million for Reconstruction of switching station in Bystričany and for transmission lines in Horná Ždaňa – Križovany. This grant has not been drawn in 2012.

2.18. Borrowings

Borrowings are recognized initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortized cost. The difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.19. Provisions

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

If there is a onerous contract presented at the Group, the present obligation according to this contract is recognized and valued as a provision.

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 in a low value.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date, i.e. the amount that the Group would rationally pay to settle the obligation. The estimate is determined by the judgement of the management and the Group's lawyers. The provision represents the individual most likely outcome as the best estimate of the liability.

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.

2.20. Contingent liabilities

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

2.21. Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. Trade payables includes the received financial guarantees.

2.22. Employee benefits

The Group has both defined benefit and defined contribution plans.

Pension plans

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 Group pays fixed contributions into a separate entity or to the Government 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.

Unfunded defined benefit pension plan

The Group also has a long-term pension plan, which includes one-off payments at retirement in accordance with legal requirements and its Collective Agreement.

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

According to the Collective Agreement of the individual companies, the Group is obliged, based on the number of years in service, to pay its employees on retirement or disability the following multiples of their average monthly salary:

Number of year in service	
0 - 2	3
3 - 9	5
10 – 14	6
15 – 19	7
Over 20	8

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

Other benefits

The Group also pays the following life and work jubilee benefits:

- compensation of electricity costs in amount of EUR 150 (2011: EUR 149.37) yearly for employees on retirement working for the Group for at least three years;
- jubilee benefit from EUR 265.55 to EUR 531.10 depending on the number of years worked for the Group when the employee reaches the age of 50 years.

The Employees of the Group expect that the Group will continue to provide such benefits and, based on opinion of management, it is not probable that the Company would cease to provide such benefits in the future.

The liability recognised in the consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date.
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 government 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 recognised immediately in the consolidated Statement of Comprehensive Income. Past-service costs are recognised immediately in the Income Statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Defined contribution pension plans

The Group contributes to the government and private defined contribution pension plans.

The Group 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 Group made contributions amounting to 35.2% (2011: 35.2%) of gross salaries up to a monthly salary ceiling, which is defined by the relevant law for such schemes together with contributions by employees of a further 13.4% (2011: 13.4%). The cost of these payments is charged to the consolidated Statement of Comprehensive Income 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 Group makes contributions to the supplementary scheme of 3% of the total of monthly wages, excluding severance payment and payments at retirement.

Profit sharing and bonus plans

Liabilities for any employee benefits in the form of profit sharing and bonus plans are recognized as 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 determinable before the consolidated Financial Statements are authorised for issue; or
- the past practice created a valid expectation of employees that they will receive a profit sharing or other bonus and the amount can be determined before the consolidated Financial Statements are authorised for issue.
- bonuses or profit sharing and the amount can be determined before the consolidated Financial Statements are authorised for issue.

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.

2.23. Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria will be met for each of the Group's activities as described below.

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

The revenue is recognised when the respective service is rendered.

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.

Dividend income is recognized when the right to receive the payment is established and inflow of economic benefits is probable.

Interest income is recognized in the period when it is earned on a time proportion basis using the effective interest method.

2.24. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated Financial Statements in the period in which the dividends are approved by the Group's shareholders.

2.25. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated Financial Statements are listed below:

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The amendments contain new disclosure requirements for financial assets and liabilities that are:
- offset in the consolidated Statement of Financial Position; or
- subject to master netting arrangements or similar agreements.

The amendments become effective for annual periods beginning on or after 1 January 2013 and for interim periods within those annual periods and should be applied retrospectively. The Group is currently assessing the impact these amendments will have on disclosures in the consolidated Financial Statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:
- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The new standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated Financial Statements. These requirements are carried forward from IAS 27 (2008). IFRS 10 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:
- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement;
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2014. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after 1 January 2014. The Group does not expect the new standard will have a material impact on the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact that this standard will have on the financial position and performance.

IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

The amendments:

- require that an entity presents separately the items of Other Comprehensive Income that may be reclassified to consolidated Income Statement in the future from those that would never be reclassified to consolidated Income Statement. If items of Other Comprehensive Income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections;
- change the title of the Statement of Comprehensive Income to consolidated Income Statement and other comprehensive income, however, other titles are also allowed to be used.

The amendments are effective for annual periods beginning on or after 1 July 2012. The amendments affect presentation only and have no impact on the Groups's financial position or performance.

IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. The amendments are effective for annual periods beginning on or after 1 January 2013. The amendments are not relevant to the Groups's financial statements, since the Group does not have any investment properties measured using the fair value model in IAS 40.

IAS 19 Employee Benefits (2011 Amendments to IAS 19)

The amendments require actuarial gains and losses to be recognized immediately in other comprehensive income. The amendments remove the corridor method previously applicable to recognizing actuarial gains and losses, and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in consolidated Income Statement, which currently is allowed under the requirements of IAS 19. The amendments also require the expected return on plan assets recognized in consolidated Income Statement to be calculated based on rate used to discount the defined benefit obligation. The amendments are effective for annual periods beginning on or after 1 January 2013. The application of these amendments will have no impact on the financial position of the Group.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

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

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed to IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2014. The Group does not expect the amendment to standard to have material impact on its consolidated financial position or financial performance.

IAS 32 – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments are effective for annual periods beginning on or after 1 January 2014.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities are exposing it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance. The Group uses derivative financial instruments to mitigate certain risk exposures, if necessary.

Risk management is carried out by the Group under policies approved by the Board of Directors. The Group identifies, evaluates and hedges financial risks in cooperation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

(i) Market risk

(a) Foreign exchange risk

The Group provides electricity transit services and auctions in which payments are denominated in EUR. Similarly, the Group recognises part of purchases and credit financing with payments denominated in EUR.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
USD / CZK and other	(22)	(73)	-	-

The impact of other currencies on the Group's operations is immaterial.

Based upon the sensitivity analysis of financial assets and liabilities recognised as at 31 December 2012, a 10% strengthening/weakening in the EUR against USD and CZK would result in an increase/decrease in the Group's profit by EUR 2 thousand. Management considers the risk is not significant.

(b) Price risk

The Company is not exposed to significant price risk, as it does not invest in equities.

(c) Operating risks – prices of services

The Group is the owner of the transmission system of the Slovak Republic and provides the operation of this system through which realizes the transmission of electricity including international transmission and directly associated activities. These activities include the maintanance of steady balance of Electricity System of the Slovak Republic through the provision of system services and loss coverage during the transmission. It also performs an administrative charges for operting system and its subsequent transfer to regional energy distribution companies. The operation fee serves as a state instrument to support the production of electricity from renewable sources and coverage of expenses incurred in the economic interest (mining of Slovak coal to generate electirity and subisdy for green energy producer).

Activities of the Group are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO"). URSO determines regulation policies for the current regulation period. Year 2012 belongs into the five-year regulation period started in 2012 and ending in 2016. URSO, among other decisions, determines the regulation policy, controls audit compliance of the Group with the current energy legislation and URSO revenues and issues decisions on maximum allowed revenues, expenditures and tariffs of the Group.

In this regulation period the principle of transmission service regulation was based on a price cap; however, the increase in regulation prices was restricted by inflation level. Prices for other related services, as well as short-term electricity market organization and deviation settlement were determined through maximum allowed revenues and related rates. For the part of the services maximum allowed expenditures and maximum prices for purchased services were determined. Deviations from the maximum allowed revenues and expenditures are taken into account in the future rates by the correction factors.

For 2012 URSO approved and issued in the decision for the Group rates and charges for transmission and reserved production, system services, losses and system operation. These charges create the structure of main revenues of the Group consisting mainly of electricity transmission and reserved production revenues, revenues from electricity transmission loss charges, system services revenues and system operation revenues. Additionally, the Group generates revenues from international transmission (ITC mechanism) and auctions.

The Group´s costs are created mainly from regulated costs for purchase of support services needed to provide system services, system operation costs, purchase of electricity for loss coverage and own consumption, costs for international trnasmission and auctions, other costs needed for transmission system operation and operation of the Group.

The Group is a subject for settlement of deviations, according to which the Group realise revenues or expenses. Furthermore the Group also takes part on short term electricity market, where it realises a part of their purchasers respectively sales of electricity related with covering of losses, where the Group also realises the costs or revenues.

Together with the transmission operator in Czech Republic introduced the Group effective from 19 January 2012 a system against delivery of regulated energy in opposing directions through cross-border connections (further system GCC). Revenue and costs stem from volumes of electricity acquired within GCC system and tariffs for these regulated energy, which were set for the Group by URSO decision.

Effective from 11 September 2012 the Group provides the function of shipping agent in connecting Czech, Slovak and Hungarian electricity market. Group's revenues and expenses represent payments for transferred electricity between countries with excess of electricity to the countries with deficit of electricity. Because the Group acts as the shipping agent, the Group accounts for the payments at the net in terms of sale.

(d) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All borrowings of the Group are at variable rate.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated Statement of Comprehensive Income of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Operating revenues and operating cash flows of the Group are independent, to a large extent, of the changes in interest rates on the market. The Group does not have material interest-bearing assets other than cash and cash equivalents. In 2007 and 2008, the Group entered into interest rate swaps with a maturity date in 2014, to mitigate the risk of fluctuations in interest rates. The agreed interest rates range between 3-month EURIBOR and the interest rate of 11.35%. The interest rate swaps refer to the agreed upon principal amounts in net book value totalling EUR 11,166 thousand as at 31 December 2012 (31 December 2011: EUR 16,300 thousand). As at 31 December 2012, the Group recognized a negative value of derivate, which dropped due to amortization. As at 31 December 2012 as a result of decrease in negative value of derivation, the Group recorded unrealized gain from interest rate swap in the amount EUR 654 thousand (liabilities related to interest rate swap as at 31 December 2011: EUR 813 thousand).

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For variable rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 100 basis points higher and all other variables were held constant, the negative derivate value would increase and the Group's profit for the year ended 31 December 2012 would decrease by EUR 560 thousand. If interest rates had been 8 basis points lower and all other variables were held constant, the negative derivate value would decrease and the Group's profit for the year ended 31 December 2012 would decrease by EUR 720 thousand. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group has implemented individual assessment of major customers credit risk. The input information for the assessment is payment discipline of customer, indicators from Financial Statements, available information on customer's indebtedness. Major customers include those with highest purchases of services. Payment conditions are set-up according to the results of the assessment. Average maturity of receivables upon sale of products and services is based on dates agreed in the contracts, i.e. 3 to 30 days.

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

The Group is managing risk of non-payment of customers through advance payments and guarantees.

As for the trade receivables, the Group carries out its activities with a few significant counterparties. Although the receivables of the Group are generated from a few customers only, the credit risk is limited due to character of the counterparties. All the customers are strategic Slovak companies engaged in the electricity business, most of them with an influence by the state.

The Group secures its credit risk with customers and partners operating on short-term electricity market and with participants of deviation settlement based on regulation rules through received bank guarantees or financial warranties. The Group can use them in case of customers' insolvency.

Maximal exposure related to trade and other receivables is the nominal value of trade receivables adjusted by individual impairment of EUR 4 thousand (Note 12).

The table below shows the balances of receivables due from banks at the reporting date:

Counterparty	Rating[2]	Balance as at 31 December 2012	2011
Banks[1]			
Všeobecná úverová banka, a.s.	A3	20,579	1,606
Tatra banka, a.s.	A3	115,552	79,911
Československá obchodná banka, a.s.	Baa3	10,001	-
Slovenská sporiteľňa, a.s.	A	28,199	11,224
J & T Banka, a. s.	E+	20,000	
Other	n/a	66	96
Total		**194,397**	**92,837**

[1] The amount of cash and short-term deposits at banks as at 31 December 2012 amounts to EUR 194,397 thousand (31 December 2011: EUR 92,837 thousand). As at 31 December 2012, the Group has available cash and cash equivalents except deposits in amount of EUR 50,000 thousand, which are available after 15 October 2013. Furthermore, the Group has agreed with those banks on credit lines on current accounts totalling EUR 31,030 thousand (31 December 2011: EUR 50,016 thousand) which were not utilized. The Group has bank borrowings as at 31 December 2012 of EUR 33,100 thousand (31 December 2011: EUR 43,100 thousand) and these credit lines were utilized.
[2] The Company uses the independent ratings of Moody's and Standard & Poor's.

(iii) Liquidity risk

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. Due to the dynamic nature of the underlying business the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages liquidity risk by having an option to utilize bank overdrafts which should cover an immediate shortage of cash. The Group regularly monitors its liquidity position and uses overdrafts only in exceptional cases. The Group also uses the advantages of commercial terms between the Group and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier's invoices is between 3 to 60 days.

The Group monitors movements of financial resources on its bank accounts on a regular basis.

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

Expected cash flow is prepared as follows:
- expected future cash inflows from main operations of the Group; and
- expected future cash outflows securing operations of the Group and leading to settlement of all liabilities of the Group, including tax payables.

A cash flow forecast is prepared monthly. It identifies the immediate need for cash and, if funds are available, it enables the Group to make term deposits and other investments.
Management monitors rolling forecasts of the Group's liquidity reserve comprises un-drawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 2012				
Bank loans (principal incl. future interest charges)	10 190	14 445	8 916	-
Trade and other payables excluding liabilities not falling under IFRS 7	166 745	-	-	-
Total	**176 935**	**14 445**	**8 916**	**-**
At 31 December 2011				
Bank loans (principal incl. future interest charges)	10 558	10 420	23 384	-
Trade and other payables excluding liabilities not falling under IFRS 7	133 907	-	-	-
Total	**144 465**	**10 420**	**23 384**	**-**

The following table below summarizes liquidity analysis of Group's financial derivatives. The table has been prepared based on undiscounted net cash inflows/(outflows) from financial derivatives settled by the Group in gross amounts. For other than fixed amounts payable/receivable, recognised amounts were derived from projected interest rates as illustrated by yield curves as at the reporting date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2012				
Interest rate swaps	(507)	(200)	-	-
Total	**(507)**	**(200)**	**-**	**-**
At 31 December 2011				
Interest rate swaps	(811)	(516)	(196)	-
Total	**(811)**	**(516)**	**(196)**	**-**

3.2 Capital risk management

The parent company's objectives of managing capital are to safeguard the parent company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other business partners and employees and to maintain an optimal capital structure to reduce the cost of capital. The parent company's management manages shareholders' capital reported under IFRS amounts to, as at 31 December 2012, EUR 578,104 thousand (31 December 2011: EUR 532,286 thousand).

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

Consistent with others in the industry, the paretn company's management monitors capital on the basis of the gearing ratio. This ratio is calculated as follows:

	31 December 2012	31 December 2011
Total equity and liabilities	938,099	835,123
Equity (Note 14)	578,104	532,286
Equity to Total equity and liabilities ratio	62%	64%

The parent company's strategy was unchanged from 2011, i.e. to maintain Equity to Total liabilities and equity ratio above 35% which is compliant with externally imposed capital requirements. During 2012 and 2011, the Group complied with the externally imposed capital requirements to which it is subject to (Note 16).

3.3 Fair value estimation

The fair value of derivatives and investments available for sale or held for trading is based on inputs other than quoted market prices as at the reporting date.

The carrying value less impairment provision of trade financial assets and liabilities are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future periods. The accounting estimates due to its nature, would differ from actual results realized in future periods. Critical estimates and assumptions that bear a risk that their change will cause a material adjustment to the carrying amounts of assets and liabilities within the future, are described below.

(i) Regulated revenues

The Group is the owner of the transmission system of the Slovak Republic and provides the operation of this system through which realizes the transmission of electricity including international transmission and directly associated activities. These activities include the maintanance of steady balance of Electricity System of the Slovak Republic through the provision of system services and loss coverage during the transmission. It also performs an administrative charges for operting system and its subsequent transfer to regional energy distribution companies. The operation fee serves as a state instrument to support the production of electricity from renewable sources and coverage of expenses incurred in the economic interest (mining of Slovak coal). The Group organizes and evaluates short-term electricity market for shrot-term electricity market participants and deviation settlement in Slovak Republic.

Activities of the Group are subject to regulation by The Regulatory Office of Network Industries of the Slovak Republic (hereinafter the „URSO"). URSO determines regulation policies for the current regulation period. Year 2012 belongs into the five-year regulation period started in 2012 and ending in 2016. URSO, among other decisions, determines the regulation policy, controls audit compliance of the Group with the current energy legislation and URSO revenues and issues decisions on maximum allowed revenues, expenditures and prices for the Group.

In this regulation period the principle of transmission service regulation is based on a price cap; however, the increase in of authorized costs included in the regulation prices was restricted by inflation level. Prices for other related services, as well as short-term electricity market organization and deviation settlement were determined through maximum allowed revenues and related rates. For the part of the services maximum allowed expenditures and maximum prices for purchased services were determined. Deviations from the maximum allowed revenues and expenditures are taken into account in the future rates by the correction factors.

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

For more details on description related to revenues see Note 3.1 (i) (c).

(ii) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions (Note 19).

(iii) Revaluation of property, plant and equipment

The main operating assets of the Group are assets used for electricity transmission. In the past, the Group valued assets at the historical acquisition costs. As at 1 January 2011 the Group applied the revaluation model to fair value according to IAS 16 for property, plant and equipment, except for the classes of property containing vehicles, inventory and artwork. Revaluation of property, plant and equipment was made by an independent expert who used a net realizable value. In cas of incrase of the assets book value during revaluation, the analysis of the possible impairment was performed based on the determinig value in use (present value of the curent cash flows expecting from the use of property). The result of the revaluation is the the increase of the assets and related increase in other comprehensive income accumulated in equity. Assumptions used in the revaluation model are based on the independent expert. The method used for revaluation is further described in Note 5. The final reported book values of these assets and related revaluation deviations are not necessarily the values at which these assets may have been or will be sold.

The Group also evaluated the expected remaining useful life of the property, plant and equipments based on the expert opinion as stated above. The result of the reassesment of useful life is the increase of the estimated useful life.

	2012	2011
Buildings, networks and constructions	40 – 80 years	40 – 80 years
Machinery, equipment and vehicles	12 - 30 years	12 - 30 years
Other non-current tangible assets	4 years	4 years

There are uncertainties regarding future economic conditions, technology changes and business environment in the sector or regulations by URSO, which may result to future possible adjustments to teh estimated revaluations and useful life of property, plant and equipment. This may significantly change the reported amount of assets, equity and profit of the Group in the future.

(iv) Derivatives

The Group uses Discounted Cash Flow model that uses only observable market data for determining the fair value of common financial instruments, like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values.

(v) Impairment test

On 31 December 2011, the management of the parent company performed a test for potential impairment by comparing recoverable value and book value. Due to the nature of the business, the parent company was considered as one cash generating unit. Recoverable value was determined based on the value of use. The fair value was derived from the value of future cash flows adjusted for present value by discount. Discount rate used in impairment test was 8.4% (after income tax). This discount rate was calculated by weighted average cost of capital.

Fair value of cash generating unit was determined based on projected cash flows arising from long-term financial plan prepared by the parent company's management. The financial plans were prepared for the next five years. Projected cash flows for the next period after the five years were derived from these financial plans. In this subseuent period it is expected to achieve such operating and financial efficiency, which management consider to be sustainable. Based on this standard level of cash flows, terminal value of cash flows growth condition was calculated at 0% per annum.

The key assumptins that affect the fair value the most, are except for the discount rate are mainly planned capital expenditures after 2017. Most assumptions are based on a historical basis.

As at 31 December 2012 the Group's management reviewed all internal and external impairment indicators. Due to the result of impairment test for the prior year as well as increase in 2012 profit compared to results expected in the impairment test for 2011 and with respect to other facts, the Groups's management did not identify such indicators that would require performing of impairment test being performed as at 31 December 2012.

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

5 Property, plant and equipment

	Lands	Buildings, halls and constructions	Machinery, equipment, vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 1 January 2011					
Cost	6,238	290,671	335,861	55,653	688,423
Accumulated depreciation and impairment charges	-	(144,785)	(211,845)	(35)	(356,665)
Net book value	**6,238**	**145,886**	**124,016**	**55,618**	**331,758**
Year ended 31 December 2011					
Opening net book value	6,238	145,886	124,016	55,618	331,758
Positive revaluation	7,416	261,939	58,670	-	328,025
Negative revaluation	-	(7,056)	(8,294)	-	(15,350)
Additions	-	-	519	84,717	85,236
Transfers	269	8,048	21,536	(29,853)	-
Disposals	(2)	(1,463)	(1,437)	-	(2,902)
Depreciation charge	-	(32,115)	(18,819)	-	(50,934)
Closing net book value	**13,921**	**375,239**	**176,191**	**110,482**	**675,833**
At 31 December 2011 after revaluation					
Cost	13,921	407,483	195,850	110,517	727,771
Accumulated depreciation and impairment charges	-	(32,244)	(19,659)	(35)	(51,938)
Net book value	**13,921**	**375,239**	**176,191**	**110,482**	**675,833**
At 31 December 2011 in historical costs					
Cost	6,505	297,005	347,625	110,562	761,697
Accumulated depreciation and impairment charges	-	(149,848)	(214,230)	(35)	(364,113)
Net book value	**6,505**	**147,157**	**133,395**	**110,527**	**397,584**
Year ended 31 December 2012					
Opening net book value	13,921	375,239	176,191	110,482	675,833
Additions	-	-	-	56,798	56,798
Transfers	24	72,003	7,353	(79,380)	-
Disposals	(3)	(391)	(130)	-	(524)
Depreciation charge	-	(34,051)	(17,941)	-	(51,992)
Impairment charge	-	-	-	35	35
Closing net book value	**13,942**	**412,800**	**165,473**	**87,935**	**680,150**

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

At 31 December 2012 after revaluation					
Cost	13,942	478,286	202,303	87,935	782,466
Accumulated depreciation and impairment charges	-	(65,486)	(36,830)	-	(102,316)
Net book value	**13,942**	**412,800**	**165,473**	**87,935**	**680,150**
At 31 December 2012 in historical costs					
Cost	6,528	368,092	352,210	87,598	814,428
Accumulated depreciation and impairment charges	-	(156,662)	(225,784)	-	(382,446)
Net book value	**6,528**	**211,430**	**126,426**	**87,598**	**431,982**

As at 1 January 2011, the independent expert, who is not related to the parent company, nor to the subsidiary performed revaluation of property, plant and equipment based on observation of property, pland and equipment and determination of depreciable replacement costs of property, plant and equipment, with reference to the records of current market transactions with similar property items and methodology of depreciable replacement costs. Depreciable replacement costs are based on current acquisition cost, at which the property, plant and equipment would be acquired as new, and estimated residual value based on the current acquisition cost, useful life, and age of existing assets (methodology of depreciable replacement costs less depreciation).

This valuation is in accordance with Internatinal Valuation Standards. The Group recorded this valuation as at 1 January 2011. Revaluated book value is higher as residual value determined on the historical acquisition cost base by EUR 328,026 thousand and this amount is recognized in other comprehensive income.

By the revaluation of the property, plant and equipment, the Group also extended the useful life of the property, plant and equipment based on the expert opinion stated above.

As at 31 December 2011, the parent company reassessed the impairment of property, plant and equipment in accordance with IAS 36 based on the assessment of their future use, disposal or sale. The parent company concludes that all assets used within regulation activities associated with the transmission of electricity as a whole constitute one cash generating unit. Due to the increase in asset value resulting from the revaluation as at 31 December 2011, the parent company estimated discounted future cash flows based on currently effective regulation by URSO. Based on the impairment assessment, the parent company concluded, that the property, plant and equipment used for electricity transmission activities is not impaired. The parent company's management decided that the impairment test provided at the parent company level is sufficient also for consolidated Financial Statement.

As at 31 December 2012 the Group reviewed all internal and external impairment indicators. Due to the result of impairment test for the prior year as well as increase in 2012 profit compared to results expected in the impairment test for 2011 and with respect to other facts, the Company's management did not identify such indicators that would require performing of impairment test being performed as at 31 December 2012.

As at 31 December 2012, the most significant items within property, plant and equipment represent: substations and administrative buildings in revalued net book value of EUR 240,766 thousand in historical net book value of EUR 179,897 (31 December 2011: revalued net book value of EUR

248,437 thousand, historical net book value of EUR 181,379 thousand); transmission lines at revalued net book value of EUR 311,292 thousand in historical net book value of EUR 130,958 thousand (31 December 2011: revalued net book value of EUR 275,393 thousand, in historical net book value of EUR 69,823 thousand).

Non-current assets under construction consists mainly of EUR 11,920 thousand for reconstruction of a substation TR 400/110 kV Medzibrod (31 December 2011: EUR 14,308 thousand), EUR 5 thousand for controlling training simulator (31 December 2011: EUR 276 thousand), EUR 0 for 2x400 kV substation Košice-Lemešany (31 December 2011: EUR 35,724 thousand), EUR 654 thousand for remote management of substation in Križovany (31 December 2011: EUR 5,254 thousand), EUR 9,058 thousand for transformer in Bošáca (31 December 2011: EUR 7,428 thousand), EUR 5,398 thousand for substation and transmission lines in Gabčíkovo (31 December 2011: EUR 5,371 thousand), EUR 1,629 thousand for transformation 400/110 kV in Voľa (31 December 2011: EUR 1,570 thousand), EUR 23,251 thousand for remote management of substation in Veľký Ďur (31 December 2011: EUR 16,427 thousand), EUR 12,306 thousand for remote management of substation in Levice (31 December 2011: EUR 1,804 thousand), EUR 1,360 thousand for 2x400 kV switching station Medzibrod (31 December 2011: EUR 2,241 thousand), EUR 7,680 thousand for transformation 400/110 kV at substation Medzibrod (31 December 2011: EUR 5,818 thousand), EUR 3,328 thousand for 2x400 kV lines for substation Medzibrod (31 December 2011: EUR 7,985 thousand), EUR 1,185 thousand for remote management of substation in Rimavská Sobota (31 December 2011: EUR 961 thousand), EUR 2,249 thousand for transmissions to substation (31 December 2011: EUR 1,364 thousand) and EUR 2,505 thousand for transmission line isolation (31 December 2011: EUR 0). These assets are not available for use at the reporting date.

In accordance with accounting policies of the Group, borrowing costs are capitalized and therefore the Company capitalized interest amounting to EUR 43 thousand (31 December 2011: EUR 58 thousand) as a part of the acquisition cost of non-current assets. The effective interest rate related to capitalization as at 31 December 2012 amounted 0.751% p.a. (31 December 2011: 1.326% p.a.).

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

The following table includes property leased by the Group as lessor under operating lease agreements:

	Land, buildings and structures	Plant, machinery and equipment	Total
As at 31 December 2012			
Cost	27,772	133	27,905
Accumulated depreciation	(1,212)	(31)	(1,243)
Net book value as at 31 December 2012	**26,560**	**102**	**26,662**
As at 31 December 2012			
Historical acquisition cost	26,721	159	26,880
Accumulated depreciation historical	(2,683)	(61)	(2,744)
Historical net book value as at 31 December 2012	**24,038**	**98**	**24,136**
As at 31 December 2011			
Cost	5,526	117	5,643
Accumulated depreciation	(292)	(11)	(303)
Net book value as at 31 December 2011	**5,234**	**106**	**5,340**
As at 31 December 2011			
Historical acquisition cost	4,730	136	4,866
Accumulated depreciation historical	(2,076)	(30)	(2,106)
Historical net book value as at 31 December 2011	**2,654**	**106**	**2,760**

The Group also leases optic fibres and circuits. The value of such fibres and circuits cannot be reasonably estimated, as they are a part of other assets that are used by the Group.

There are no restrictions of ownership relating to property, plant and equipment other than those disclosed in these Notes to the consolidated Financial Statements. No property, plant and equipment has been pledged.

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

Type and amount of insurance of non-current intangible and tangible assets

The Group has insured its assets against the following risks:

Insured object	Type of insurance	Amount insured as at 31 December 2012 and 2011	Name of the insurance company
Buildings, halls and constructions	Damage or total loss	170,724	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Machines, tools and equipment, vehicles without car licence plates	Damage or total loss	87,542	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Transformers and control rooms	Damage or total loss	233,215	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
RRB (radio relay point)	Damage or total loss	16,641	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Elevated power lines	Damage or total loss	768,707	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Cables	Damage or total loss	2,957	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Office equipment	Damage or total loss	814	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Fixtures and fittings	Damage or total loss	622	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Sets of movable non-current tangible assets, cables, elevated power lines	Damage or total loss, insurance against theft, burglary, and robbery, and robbery during transport and vandalism	332	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Set of machines and equipment	Machines and equipment insurance	323,541	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Scheduled capital expenditures, automatic coverage of new assets	Damage or total loss	33,194	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Fixtures and fittings	Insurance against theft, burglary, and robbery, and robbery during transport and vandalism	291	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)

Measuring devices and notebooks in motor vehicles	Insurance against theft, burglary, and robbery, and robbery during transport and vandalism	66	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)
Scheduled capital expenditures	Machines and equipment insurance	23,236	Allianz - Slovenská poisťovňa, a.s. (co-insurance company Generali, Kooperativa, QBE)

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

6 Intangible assets

	Software and other intangible assets	Intangible assets not yet in use	Total
At 1 January 2011			
Cost	42,399	3,202	45,601
Accumulated amortisation and impairment charges	(24,490)	-	(24,490)
Net book value	**17,909**	**3,202**	**21,111**
Year ended 31 December 2011			
Opening net book amount	17,909	3,202	21,111
Additions	63	4,629	4,692
Transfers	5,413	(5,413)	-
Disposals	-	-	-
Amortisation charge	(7,428)	-	(7,428)
Closing net book value	**15,957**	**2,418**	**18,375**
At 31 December 2011			
Cost	47,875	2,418	50,293
Accumulated amortisation and impairment charges	(31,918)	-	(31,918)
Net book value	**15,957**	**2,418**	**18,375**
Year ended 31 December 2012			
Opening net book amount	15,957	2,418	18,375
Additions	-	6,220	6,220
Transfers	3,463	(3,463)	-
Disposals	-	-	-
Amortisation charge	(7,347)	-	(7,347)
Closing net book value	**12,073**	**5,175**	**17,248**
At 31 December 2012			
Cost	51,338	5,175	56,513
Accumulated amortisation and impairment charges	(39,265)	-	(39,265)
Net book value	**12,073**	**5,175**	**17,248**

The computer software consists mainly of SAP, STET, XMatic, DAMAS (auction portal), Oracle and XM Trade and ISZO and ISOT (deviation settlement information system, organisation of daily electricity market). Net book value of SAP is EUR 739 thousand (31 December 2011: EUR 1,743 thousand), remaining amortization period is between 1 and 4 years. Net book value of DAMAS is EUR 865 thousand (31 December 2011: EUR 1,783 thousand), remaining amortization period is 2 and 4 years. Net book value of ISZO and ISOT are EUR 2,864 thousand (31 December 2011: EUR 3,092 thousand).

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

Intangible assets not yet in use include EUR 541 thousand for controlling training simulator (31 December 2011: EUR 173 thousand), EUR 0 for remote management for substation Veľký Ďur (31 December 2011: EUR 1,727 thousand) and EUR 0 for completion of trade measurement system for the parent company (31 December 2011: EUR 554 thousand), EUR 739 thousand for investments related to substation Košice - Lemešany (31 December 2011: EUR 0) and EUR 779 thousand for integration of support systems SED (31 December 2011: EUR 0) and EUR 2,960 thousand for building of information system of trading measurement ISOM for the subsidiary (31 December 2011: EUR 0 thousand).

Internally generated intangible assets are immaterial.

There are no restrictions of ownership relating to intangible assets. No intangible assets are pledged.

7 Non-current assets held for sale

Non- current assets held for sale as at 31 December 2012 represent administrative building in Bratislava, apartment in Horná Ždaňa and machines and equipment that are to be recovered through a sale transaction rather than use and the sale is considered highly probable

	31 December 2011	Additions	Sales	31 December 2012
Cost of assets	5,261	-	-	5,261
Recorded accumulated depreciation	(2,511)	-	-	(2,511)
Impairment loss upon revaluation	(18)	-	-	(18)
Total	2,732	-	-	2,732

8 Shares and other investments

	2012	2011
At the beginning of the year	62	12
Additions	-	50
Disposals	-	-
At the end of the year	62	62

Eight providers of transmission systems: Verbund - Austrian Power Grid AG, ČEPS, a.s., Electro-Slovenija d.o.o., E.ON Netz GmbH, MAVIR Hungarian TSO Company Ltd., PSE-Operator S.A., SEPS, a.s. a Vattenfall Europe Transmission GmbH established Central Auction Office (CAO) based in Gute Änger 15, Freising, Germany for the purpose of introducing regional coordinated management of network overloading. In year 2011 the parent company contributed into CAO EUR 50 thousand, overall contribution increased to EUR 62 thousand and has the share of 12.5%.

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

9 Financial assets

Loans to the company CAO

	2012	2011
At the beginning of the year	30	60
Additions	-	-
Disposals	15	30
At the end of the year	**15**	**30**
Less non-current portion of Loans to the company	-	(15)
Current portion of Loans to the Company	**15**	**15**

The balance as at 31 December 2012 represents the outstanding loan granted to the auction office (Note 8) with final maturity in year 2013 and repayment thereof in five annual instalments.

The fair value of the loan granted to the auction office was calculated using the method of the discounted cash flows, using the discount rate of 12-month EURIBOR. The fair value is approximately equal to the carrying value of the loan. The credit risk exposure related to this loan is limited by the carrying value of the loan.

10 Financial instruments by category

The reconciliation of classes of financial instruments with measurement categories under IAS 39 is as follows:

As at 31 December 2012	Financial assets at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	-	32,116	32,116
Receivables due from derivative financial instruments	-	-	-
Other receivables	-	1,317	1,317
Cash at bank and in hand	-	194,397	194,397
Short-term bank deposits	-	-	-
Loans to the company CAO	-	15	15
Total	**-**	**227,845**	**227,845**

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

As at 31 December 2012	Financial liabilities at fair value through profit and loss	Other financial liabilities - carried at amortized cost	Total
Liabilities as per Statement of Financial Position			-
Trade and other payables	-	84,258	84,258
Received guarantees	-	77,800	77,800
Liabilities due from derivative financial instruments	950	-	950
Payables due to employees	-	1,486	1,486
Social security	-	652	652
Other payables	-	1,612	1,612
Bank loans	-	33,100	33,100
Total	**950**	**198,908**	**199,858**

As at 31 December 2011	Financial liabilities at fair value through profit and loss	Loans and receivables	Total
Assets as per Statement of Financial Position			
Trade receivables (before impairment provision)	-	27,592	27,592
Receivables from derivative financial instruments	-	-	-
Other receivables	-	1,139	1,139
Cash at bank and in hand	-	92,837	92,837
Short-term bank deposits	-	-	-
Loans to the company CAO	-	30	30
Total	**-**	**121,598**	**121,598**

As at 31 December 2011	Financial liabilities at fair value through profit and loss	Other financial liabilities - carried at amortized cost	Total
Liabilities as per Statement of Financial Position			
Trade and other payables	-	72,719	72,719
Received guarantees	-	57,565	57,565
Liabilities due from derivative financial instruments	1,657	-	1,657
Payables due to employees	-	839	839
Social security	-	403	403
Other payables	-	1,192	1,192
Bank loans	-	43,100	43,100
Spolu	**1,657**	**175,818**	**177,475**

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

11 Inventories

	As at 31 December 2012	2011
Advance payments made for inventory	-	6 304
Materials and spare parts	948	895
	948	**7 199**

The Group has a limited right to dispose with inventory and does not use them to guarantee its liabilities.

12 Trade and other receivables

	As at 31 December 2012	2011
Current receivables and prepayments:		
Neither past due nor impaired trade receivables	30,628	27,017
Past due but not impaired trade receivables	1,463	571
Individually impaired trade receivables	25	4
Trade receivables (before provision for impairment)	**32,116**	**27,592**
Less: Provision for impairment of receivables	(4)	(4)
Trade receivables - net	**32,112**	**27,588**
VAT receivable	5,619	5,404
Prepayments	2,527	2,473
Other receivables	1,317	1,139
Prepaid expenses and accrued income	972	1,450
Other receivables including accrued income - net	**10,435**	**10,466**
Total trade and other receivabels	**42,547**	**38,054**

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

The analysis of trade receivables by the remaining period to maturity is shown in the following table:

	As at 31 December 2012	2011
Receivables within due date	30,628	27,017
Overdue receivables	1,488	575
Total	**32,116**	**27,592**

The analysis of trade receivables that are neither past due nor impaired by their credit quality is as follows:

	As at 31 December 2012	2011
Slovenské elektrárne, a.s.	4,765	3,010
Západoslovenská energetika, a. s.	37	54
Západoslovenská energetika Distribúcia, a. s.	7,688	7,411
Západoslovenská energetika Energia, a. s.	1,596	1,535
Stredoslovenská energetika, a. s.	2,459	2,224
Stredoslovenská energetika Distribúcia, a. s.	4,411	4,261
Východoslovenská energetika, a. s.	895	692
Východoslovenská energetika Distribúcia, a. s.	2,668	3,210
Other	6,109	4,620
Neither past due or impaired trade receivables	**30,628**	**27,017**

All receivables that are neither past due nor impaired are classified as trade receivables. The credit quality of receivables that are neither past due nor impaired is monitored regularly by the management of the parent company and subsidiary. Although the receivables of the Group are generated from a few customers only, the credit risk is limited due to character of the counterparties. Most of the customers are strategic Slovak companies, most of them engaged in electricity business, with an influence by the state.

Credit risk of participants on electricity short-term market and deviation settlement participants is covered by received guarantee or financial warranty.

As at 31 December 2012, trade receivables of EUR 1,463 thousand (31 December 2011: EUR 571 thousand) were past due but not impaired. Their ageing analysis is as follows:

	As at 31 December 2012	2011
1 to 90 days	610	559
91 to 180 days	853	12
Total past due but not impaired traade receivables	**1,463**	**571**

The closing balance of the Group's trade receivables includes receivables in the carrying amount of up to EUR 1,463 thousand (31 December 2011: EUR 571 thousand) overdue at the reporting date, for which no provisions were recorded by the Group as there were no significant changes in creditworthiness of the debtors and the amounts are still considered recoverable. The Group recorded no collateralized receivables.

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

As at 31 December 2012, trade receivables of EUR 25 thousand (31 December 2011: EUR 4 thousand) were impaired and provided for. As at 31 December 2012, the Group recorded a 100% provision for such receivables in amount of EUR 4 thousand (2011: EUR 4 thousand).

The ageing of these receivables is as follows:

	As at 31 December	
	2012	**2011**
From 180 to 360 days	21	0
Over 361 days	4	4
Total individually impaired receivables	**25**	**4**

The movements in the provision for impairment of trade receivables are recognized in the Consolidated Income Statement in Other operating (expenses) / income. Movements are presented below:

	2012	**2011**
At the beginning of the year	4	4
Additional provision for receivables impairment	-	-
Unused amounts released	-	-
Receivables writen-off during the yar as uncollectible	-	-
At the end of the year	**4**	**4**

No receivables have been pledged as collateral. The Group does not have any restrictions to deal with receivables.

13 Cash and cash equivalents

	As at 31 December	
	2012	**2011**
Cash at bank and in hand	83,818	84,232
Short-term bank deposits	110,579	8,605
	194,397	**92,837**

At 31 December 2012 cash and cash equivalents were fully available for the Group's use except term deposits in amount of EUR 30,000 thousand and EUR 20,000 thousand, which would be fully available after 15 October 2013. The Group has two deposit accounts with hold received guarantees for deviation settlement (31 December 2012: EUR 19,906 thousand, 31 December 2011: EUR 35,378 thousand) and daily market with electricity (31 December 2012: EUR 7,003 thousand, 31 December 2011: EUR 23,203 thousand).

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

For the purposes of the Statement of Cash Flow, the cash and cash equivalents comprise the following:

	As at 31 December 2012	2011
Cash and bank balances and deposits with original maturities of less than three months	144,397	92,837
Cash and bank balances and deposits with original maturities of more than three months	50,000	-
	194,397	**92,837**

The carrying amounts of cash and cash equivalents as of 31 December 2012 are not substantially different from their fair value. The maximum exposure to credit risk is limited by the carrying value of cash and cash equivalents.

The analysis by credit quality is reported in Note 3.1 (ii).

14 Shareholder's Equity

As at 31 December 2012, the registered capital of the parent company at a total nominal value of EUR 81,833 thousand consists of: 2,382 bearer shares at a nominal value of EUR 33 thousand; 793 bearer shares at a nominal value of EUR 34; 82 registered shares at a nominal value of EUR 33 thousand and 459 registered shares at a nominal value of EUR 34.

Equal rights are attributable to all types of shares.

Legal reserve fund is obligatorily created from profit of the parent company in accordance with the Slovak Commercial Code. The minimum prescribed creation of the Legal reserve fund is 10% of its share capital at the time of the incorporation of the parent 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. Use of this fund is restricted under the Commercial Code only to cover losses of the parent company and it is not a distributable reserve. Legal reserve fund amounted to EUR 16,464 thousand as at 31 December 2012 (as at 31 December 2011: EUR 16,366 thousand).

Other capital reserves comprise statutory fund of EUR 145,151 thousand as at 31 December 2012 to finance capital expenditure activities (31 December 2011: EUR 126,145 thousand) and differences from revaluation of assets amounted to EUR 196,846 thousand (31 December 2011: EUR 237,382 thousand).

The statutory fund to finance future capital expenditures is used to accumulate internal funds of the parent company generated from profit to finance capital expenditures. In 2011, the parent company contributed to this fund an amount of EUR 19,006 thousand (31 December 2011: EUR 21,255 thousand) from 2011 profit distribution. The rules for the use of funds allocated to the statutory fund for capital expenditures are governed by the general financing principles of the parent company in relation to capital expenditures, and by the acquisition guidelines. Funds on the statutory fund to finance capital expenditures are accumulated from amounts allocated to the statutory fund based on the General Meeting decision.

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

The movements in revaluation assets fund are presented in the table below:

	2012
Positive revaluation 1 January 2012	237,382
Revaluation surplus reclassified to retained earnings as at 31 December 2012	(35,623)
Deferred tax on revaluatin surplus as at 31 December 2011	6,768
Deferred tax related to changes in tax rates and special levy from profit in regulated industry	(11,681)
At the end of the period	**196,846**

	2011
Positive revaluation 1 January 2011	328,025
Deferred tax 1 January 2011	(62,325)
Revaluation surplus reclassified to retained earnings as at 31 December 2012	(34,961)
Deferred tax on revaluatin surplus as at 31 December 2011	6,643
At the end of the period	**237,382**

The parent company believes that the property revaluation surplus is not immediately available for distribution to the shareholders. Parts of the revaluation surplus are reclassified to retained earnings by the difference between depreciation of the revaluated values and original acquisition costs of the property. The rest of the revaluation is reclassified into retained earnings at the sale and disposal of the assets. These transfers to retained earnings are available for distribution to shareholders.

The General Meeting held on 18 May 2012 approved the consolidated Financial Statements for 2011 and decided to pay dividends to the shareholders for 2011. In 2012, a dividend of EUR 9 thousand (rounded) per share at a nominal value of EUR 33 thousand and EUR 8.88 (rounded) per share at nominal value of EUR 34 was declared to the shareholders (in 2011: EUR 4 thousand per share at a nominal value of EUR 33 thousand and EUR 3.74 per share at nominal value of EUR 34).

The profit accounting of the parent company for the year 2011 of EUR 42,288 thousand was distributed as follows:

	2011 profit distribution	**2010 profit distribution**
Dividends paid - National Property Fund	21,374	9,000
Appropriation to the Statutory Fund	19,006	21,255
Appropriation to the Reserve Fund	98	-
Transfer to retained earnings	1,810	914
Total	**42,288**	**31,169**

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

15 Trade and other payables

	As at 31 December 2012	2011
Trade payables	84,258	72,719
Received guarantees	77,800	57,565
Payables due to employees	1,486	839
Social security	652	403
Accrued personnel expenses	3,559	3,318
Liabilities due from derivative financial instruments	730	988
Social fund	207	201
Other payables	1,612	1,192
Total	**170,304**	**137,225**

The liabilities from derivative financial instruments include derivate transactions, other than hedging. These derivatives are used especially for the purpose of managing the risk related to the usual business transactions. As at 31 December 2012, the Group has three interest rate swaps with a negative fair value in the amount of EUR 804 thousand (31 December 2011: negative fair value of swaps was EUR 1,458 thousand), the part in the amount of EUR 220 thousand is recognized in the long-term liabilities and the amount of EUR 584 thousand is recognized in short-term liabilities.
The accrued interest amounted to EUR 146 thousand (31 December 2011: EUR 200 thousand).
The fair value of trade and other payables is not significantly different from their carrying amount.

No payables are secured by a lien or other collateral.

The analysis of payables by the remaining maturity period is as follows:

	As at 31 December 2012	2011
Payables not yet due	166,919	129,831
Overdue payables	3,385	7,394
Total	**170,304**	**137,225**

Social fund

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

	2012	2011
Opening balance at 1 January	**201**	**260**
Creation	605	514
Usage	(599)	(573)
Closing balance at 31 December	**207**	**201**

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

16 Bank loans and finance lease liabilities

	As at 31 December	
	2012	**2011**
Non-current		
Long term portion of bank loans (a)	23,100	33,100
	23,100	**33,100**
Current		
Short term portion of bank loans (a)	10,000	10,000
	10,000	**10,000**

(a) Bank loans

The maturity of bank loans is as follows:

	As at 31 December	
Maturity	**2012**	**2011**
Short term portion of bank loans	10,000	10,000
Long term portion of bank loans		
1-5 years	23,100	33,100
Over 5 years	-	-
Total	**33,100**	**43,100**

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

The Group has the following borrowing facilities which are not utilized:

	As at 31 December	
	2012	**2011**
Floating rate		
- Expriring within one year	26,780	26,780
- Expiring beyond one year	4,250	23,236
Fixed rate		
- Expiring within one year	-	-
Total	**31,030**	**50,016**

Loans from VÚB, a.s. and from Tatra banka, a.s. include certain financial covenants related to limits on debt ratios, interest coverage and debt to operating profit ratios calculated on the basis of the individual Financial Statements of the parent company. The parent company complied with these covenants at the reporting date of these Consolidated Financial Statements.

The effective interest rates at the reporting date were as follows:

	2012	**2011**
Bank borrowings	0.751%	1.326%

Structure of bank loans as at 31 December 2012 is as follows:

Bank/Creditor			Amount in EUR 31 December 2012	31 December 2011	Interest rate % p.a.	Maturity	Collateral	Part due in next 12 months	Part due after 12 months
Tatra banka, a.s.	Investment	EUR	7,000	12,600	3M EURLIBOR + 0.145%	23.4.2014	-	5,600	1,400
SLSP, a.s.	Investment	EUR	9,100	13,500	3M EURIBOR + 0.145%	31.12.2014	-	4,400	4,700
VÚB, a. s.	Investment	EUR	17,000	17,000	3M EURIBOR + 0.85%	3.12.2015	-	-	17,000
Total	X	X	**33,100**	**43,100**	X	X	X	**10,000**	**23,100**

17 Grants and deferred revenues

Deferred revenues include the following items:

	As at 31 December	
	2012	**2011**
Deferred revenues		
EBRD grant Križovany – long-term portion (a)	15,962	16,764
– current portion (a)	802	966
EBRD grant Lemešany – long term portion (b)	36,085	20,221
– current portion (b)	577	114
US Steel – long-term portion (c)	4,829	5,110
– current portion (c)	281	281
EU TEN-E – long-term portion (d)	890	920
– current portion (d)	29	29
E.ON – long-term portion (e)	3,367	3,525
– current portion (e)	158	158
Slovenské elektrárne, a.s. - long term portion (f)	3,230	-
– current portion (f)	40	-
EU TEN-E - long-term portion (g)	943	-
– curren portion (g)	29	-
Other – long-term portion (h)	9,791	1,045
– current portion(h)	1,325	9,902
Total	**78,338**	**59,035**

a)
On 10 December 2003, the parent company concluded a grant contract with the European Bank for Reconstruction and Development (EBRD), under which the EBRD undertook to provide a grant of EUR 24 million for IPR "Križovany 400 kW, Reconstruction – Structure 2, Part 2 and Structure 3". The contract became effective on 4 August 2004. The subsidy proceeds were drawn over the period of 2004 – 2010.

An amount of EUR 16,764 thousand (31 December 2011: EUR 17,729 thousand) was recognized in deferred revenue related to the grant.

At the reporting date, the parent company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

b)
On 18 December 2007, the parent company concluded a grant contract with the European Bank for Reconstruction and Development (EBRD), under which the EBRD undertook to provide a grant of EUR 43.9 million for extension of IPR Bošáca 400kV, transformer station 400/110kV Medzibrod
- 2. construction, transformer station 400/110kV Medzibrod - 3. construction, power lines 2 x 400kV Lemešany - Košice - Moldava - 4. construction. The contract became effective on 4 July 2008.

An amount of EUR 36,662 thousand (31 December 2011: EUR 20,335 thousand) was recognized in deferred revenue related to the subsidy.

At the reporting date, the parent company has no executor warranties or other contingent liabilities related to grant other than expenses connected to the project in accordance with an approved budget and its structure.

c)
Deferred revenues include an amount of EUR 5,110 thousand (31 December 2011: EUR 5,391 thousand) related to investment in the substation in Košice. This substation is owned by the Group, however, the company US Steel was obligated to co-finance the half of the substation's acquisition costs. The cash receipt will be released into the Income Statement on a straight-line basis during the expected useful life of the station.

d)
Deferred revenue of EUR 919 thousand represents a co-finance provided to the Group from an European Commission's program EU TEN-E (Trans – European Network) in the amount of 10% of the value of transmission lines EK-Moldava – SS- Košice (31 December 2011: EUR 949 thousand).

e)
Amount of EUR 3,525 thousand included in Deferred revenues is related to a 100% co-financing by company E.ON for a part of substation in Križovany, field 13 (31 December 2011: EUR 3,683 thousand).

f)
Amount of EUR 3,270 thousand relates to refinancing of costs of Slovenské elektrárne, a.s. for connecting to transmission systems EMO 3 and 4 in Veľký Ďur (31 December 2011: EUR 0).

g)
Amount of EUR 972 thousand represents co-finance provided to the Group from European Commision for the transmission line SS Košice - Lemešany (31 December 2011: EUR 0).

h)
Within other deferred income the parent company recorded an income in amount of EUR 8,965 thousand, which does not belong to the Group in 2012. The Company over collected maximum allowed income set by regulations. These will be realized in 2014.

18 Deferred tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate of 23% (31 December 2011: 19%). As at 31 December 2012 tax rate will increase 4.3% for temporary differences in long term property due to charges for regulated subjects based on act No 235/2012 Z.z. According to currently effective legislation as at 31 December 2012 this special levy will be effective until 31 December 2013. This levy increased the tax rate for temporary differences, which will reprise by the end of 2013 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

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

The movements in the deferred tax assets and liabilities were as follows:

	At 1 January 2012	Change recognized as expense/income	Change of equity	At 31 December 2012
Positive revaluation of fixed assets	(55,682)	6,768	(11,681)	(60,595)
Negative revaluation of fixed assets	2,331	(490)	-	1,841
Receivables	-	-	-	-
Non-current tangible and intangible assets	(5,007)	(5,269)	-	(10,276)
Retirement benefit	666	403	-	1,069
Provisions	2,150	(1,550)	-	600
Other	258	58	-	316
Total	**(55,284)**	**(80)**	**(11,681)**	**(67,045)**

The movements in the deferred tax assets and liabilities during previus year were as follows:

	At 1 January 2011	Change recognized as expense/income	Change of equity	At 31 December 2011
Positive revaluation of fixed assets	(62,325)	6,643	-	(55,682)
Negative revaluation of fixed assets	-	2,331	-	2,331
Receivables	-	-	-	-
Non-current tangible and intangible assets	(2,127)	(2,880)	-	(5,007)
Retirement benefit	506	160	-	666
Provisions	3,334	(1,184)	-	2,150
Other	368	(110)	-	258
Total	**(60,244)**	**4,960**	**-**	**(55,284)**

19 Provisions for liabilities and charges

	Pension benefits and other long-term benefits (a)	Legal claims (b)	Others (c)	Total
At 1 January 2012	**3,506**	**33**	**-**	**3,539**
Creation of provisions	1,416	-	-	1,416
Provisions used	(276)	-	-	(276)
At 31 December 2012	**4,646**	**33**	**-**	**4,679**

Analysis of total provisions	**As at 31 December 2012**	**2011**
Non-current	4,646	3,506
Current	33	33
Total	**4,679**	**3,539**

(a) Pension benefits and other long-term benefits

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

(i) post employment benefits

Analysis of total provisions	**As at 31 December 2012**	**2011**
Present value of unfunded retirement obligations	4,506	3,391
Unrecognised actuarial gains/(losses) and portion of past service cost	-	-
Obligation in the Statemetn of Financial Position	**4,506**	**3,391**

The amounts recognised in the consolidated Statement of Comprehensive Income are as follows:

Analysis of current provisions	**2012**	**2011**
Current service cost	293	233
Recognised actuarial gains/(losses)	905	1,183
Interest cost	175	94
Pension (credit) / cost, included in personnel costs	**1,373**	**1,510**

Movements in the present value of defined benefit obligation are:

	2012	2011
Present value of unfunded retirement obligations at the beginning of the year	3,391	2,625
Current service cost	293	233
Interest cost	175	94
Benefits paid	(258)	(162)
Cancelled	-	(582)
Actuarial (gains)/ losses	905	1,183
Present value of unfunded retirement obligations at the end of the year	**4,506**	**3,391**

(ii) other long-term benefits (jubilees and loyalties)

	As at 31 December 2012	2011
Present value of unfunded obligations	140	112
Obligation in the Statement of Financial Position	**140**	**112**

The amounts recognised in the consolidated Statement of Comprehensive Income are as follows:

	2012	2011
Current service cost	10	8
Recognised actuarial gains/losses	30	18
Interest expense	6	2
Pension (credit) / cost, included in personnel costs	**46**	**28**

Movements in the present value of defined benefit obligation are:

	2012	2011
Present value of unfunded retirement obligations at beginning of the year	112	37
Current service cost	10	8
Past service cost	-	52
Interest cost	6	2
Benefits paid	(18)	(5)
Actuarial gains/(losses)	30	18
Present value of unfunded retirement obligations at the end of the year	**140**	**112**

The principal actuarial assumptions to determine the pension liability were as follows:

As at 31 December 2012

Percentage of employees, who will terminate their employment with SEPS a.s. prior to retirement (fluctuation rate)	2.6 – 6.1 % p.a., differing with age and sex
cted salary increases - long-term	4.5% p. a.
- short-term	2.5% p. a.
Discount rate	3.54% p. a.

As at 31 December 2011

Percentage of employees, who will terminate their employment with SEPS a.s. prior to retirement (fluctuation rate)	3.0 – 7.2 % p.a., differing with age and sex
cted salary increases - long-term	5% p. a.
- short-term	3% p. a.
Discount rate	5.18% p. a.

(b) Provision for legal claims

A provision is created for those legal claims where it is probable, at the reporting date, that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In the opinion of the parent company's management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided.

The Group recorded a provision for the legal dispute with E. I. S. spol. s r.o., in which E. I. S. spol. s.r.o. has claimed damages from the Group in the amount of EUR 33 thousand as a result of lost profit. Resolution of the legal dispute is anticipated in the next year.

20 Revenues

Revenues include the following:

Revenues from electricity transmission and transit, deviation settlement and fees for organization of daily electricity market:

	2012	2011
Access to transmission grid	146,963	109,651
Covering losses	18,259	13,544
System operation	85,060	89,000
System services	135,561	194,222
Auctions	31,083	7,916
Deviations	93,004	87,470
CBT mechanism	11,723	-
Transit and other services	11,283	1,958
Total revenues from electricity transmission and transit, deviation settlement and organization of daily electricity market	**532,936**	**503,761**
Rental	272	427
Telecommunications services	530	550
Other revenues	1,051	249
Total other revenues	**1,853**	**1,226**
Total revenues	**534,789**	**504,987**

The revenue from the Group's core activities mainly results from the regulatory framework and the URSO decisions, issued by this institution for the relevant year.

Revenues from rental comprise income from the rental of non-residential premises, electric masts for various types of transmitters and antennas and lease of power lines. Telecommunication services include the lease of fibre optic cables and management information system.

The Group is acting as a shipping agent in connecting Czech, Slovak and Hungarian electricity market from 11 September 2012. Group's revenues and expenses represent payments for transferred electricity between countries with excess of electricity to the countries with deficit of electricity. The Company presents these sales as revenues from sale of merchandise and the costs of merchandise sold. The net result is presented within line "Transit and other services". In 2012 the Company realized transactions in total amount of EUR 39,175 thousand and related costs were EUR 31,382 thousand.

Except mentioned above, the Group presents revenues from sale of electricity and costs from purchased electricity on daily electricity market on net basis. In 2012, the Group realised revenues from sold electricity in amount of EUR 248,647 thousand (2011: EUR 232,847 thousand). In 2012 related costs were in the same amount as revenues from sold electricity in amount of EUR 248,647 thousand (2011: EUR 232,847 thousand).

21 Consumed materials and services

Consumed materials and services included the following:

	2012	2011
Consumption of material, energy and other non-storable items	23,818	23,707
Repair and maintenance	10,376	9,201
Travel expenses	328	313
Representation expenses	374	229
Rental	489	434
Communication lines outputs	650	710
Stations service	3,889	4,069
Protection and maintenance of area	2,148	845
Revisions, controls, security services	1,329	1,912
Technical advisory	233	333
Cleaning	200	194
Bialogical recultivation	310	151
Geodetic services	294	384
Experts examinations, analysis, experts opinion, certifications	1,937	1,478
Information technology services, advertisement	8,003	7,688
Expenses for ancillary services	122,267	135,111
Expenses for system operation	83,133	86,167
Expenses for deviations	37,894	37,218
Cross-boarder assistance expenses	141	-
Expenses for auctions	2,135	385
Expenses for regulation energy	48,892	51,391
Cross-boarder assistance expenses (CBT)	4	108
Audit of Financial Statements provided by auditor	51	51
Advisory services	502	988
Tax advisory	18	18
Other services provided by auditor	36	10
Usage of MO profile (ČEPZ)	1,733	448
Other	901	916
Total	**352,085**	**364,459**

The Group´s costs are created mainly from regulated costs for purchase of support services needed to provide system services, system operation costs, regulated costs and deviations, purchase of electricity for loss coverage and own consumption, costs for international transmission and auctions, other costs needed for transmission system operation and operation of the Group.

Together with the transmission operator in Czech Republic introduced the Group effective from 19 January 2012 a system against delivery of regulated energy in opposing directions through cross-border connections (further system GCC). Revenue and costs stem from volumes of electricity acquired within GCC system and tariffs for these regulated energy, which were set for the Group by URSO decision. The Group presents the revenues from these services within line Sales from merchandise and respective costs as merchandise sold. The net result is presented within line "Consumption of material, energy and other unstorable supplies". In 2012, transactions were realised in total amount of EUR 1,750 thousand and related costs were in amount of EUR 1,771 thousand.

22 Personnel costs

	2012	2011
Wages and saleries	15,659	14,061
Other personnel costs	1,858	920
Pension costs - definite contribution plans	4,656	4,157
Current service cost	303	241
Interest costs on pension and similar liabilities	181	96
Recognized actuarial losses/(gains)	935	1,201
Total	**23,592**	**20,676**

23 Other operating expenses

	2012	2011
Insurance costs	2,258	2,303
Loss from sale of fixed assets	41	2,315
Taxes and other fees	219	278
Gifts	759	132
Other operating expenses	289	371
Total	**3,566**	**5,399**

24 Other operating income

	2012	2011
Gain from sale of fixed assets	-	-
Gain from sale of material	148	56
Release of deferred revenues from a grant	1,158	1,350
Change in value adjustment to trade receivables	-	-
Contractual penalties	2,587	2,487
Release of provision	-	6,584
Release of deferred revenues - Košice	281	663
Insurance claims and other	930	889
Total	**5,104**	**12,029**

25 Finance expense, net

	2012	2011
Interest income	226	291
Interest expense from borrowings	(443)	(800)
Foreign exchange gains	5	5
Foreign exchange losses	(3)	(61)
Finance income on derivative instruments	654	871
Finance expense on derivative instruments	(851)	(1,060)
Other financial expense	(30)	(25)
Net financial expense	**(442)**	**(779)**

26 Income tax expense

Reconciliation from the theoretical to the reported income tax charge is presented in the following table:

	Year ended 31 December 2012	2011
Profit before tax (from continuing operations)	101,621	52,206
Theoretical income tax related to current period at 19%	19,308	9,919
- Other income not subject to tax (permanent)	(235)	(1,224)
- Non-deductible expenses (permanent)	1,114	1,223
- Increase of tax due to charges for regulated subjects	1,850	-
- Deferred tax from temporary differences to which no Deferred tax has been accounted historically	(226)	-
- Additional income tax	135	-
Deferred tax increase to 1 January due to increase of tax rate	802	-
	22,748	9,918
Income tax expense for the period		
The tax charge for the period compreses:		
- Deferred tax charge - expense/(income) (Note 18)	80	(4,960)
Daterred tax total	**80**	**(4,960)**
- Special levy for regulated industry	1,850	-
- Additional income tax	135	-
- Current income tax expense	20,683	14,878
Income tax total	**22,668**	**14,878**
Total tax for the period	**22,748**	**9,918**
Effective tax rate	**22.39%**	**19.00%**

Deferred tax is provided, using the balance sheet liability method, on temporary differences using the basic tax rate of 23% (31 December 2011: 19%). This tax rate has been increased as at 31 December 2012 for additional 4.3% for temporary differences in fixed assets because of special levy for regulated industry paid according to Act Nr. 235/2012. According to currently effective legislation as at 31 December 2012 this special levy will be effective until 31 December 2013. This levy increased the tax rate for temporary differences, which will reprise by the end of 2013 related to fixed assets only, as the value of the levy is calculated from profit before tax calculated according to the Slovak Act on Accounting, not taking into consideration temporary differences.

27 Contingencies

(a) Taxation

Many areas of Slovak tax law (e.g. transfer-pricing regulations) have not been sufficiently tested in practice, so there is some uncertainty as how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. It will be reduced only if legal precedents or official interpretations are available. Neither the parent company's management, nor the subsidiary management is aware of any circumstances that may give rise to future material expense in this respect.

(b) Regulation and liberalisation in energy industry

Regulatory framework for the electricity market in the Slovak Republic

Based on the current legislation, the electricity market in the Slovak Republic is liberalized and allows free selection of electricity supplier for all customers.

Activities of the Group are subject to regulation by URSO.

In the next period, The Group is planning to expand its regulatory activities by management of data collection and also by the central billing of charges related to operation of transmission system.

(c) Other

The Group is currently involved in a legal case with its former employee who is suing the parent company for alleged unfair dismissal. According to the opinion of the parent company's management and taking into account relevant legal advices, it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate cannot be made of the amount of the obligation at the reporting date.

The Company Stredoslovenská energetika, a.s. filed a law suit against the parent company because of wrong settlement of deviation in April 2008. Out-of-court agreement was made among all involved parties, which would not result in any financial liability to the Group.

28 Commitments

(a) Future capital commitments

The Group has contractual obligations under the contracts for the purchase of non-current assets entered into before 31 December 2012, the performance of which is scheduled only after 31 December 2012. The total obligation under the contracts amounts to EUR 54,135 thousand (2011: EUR 87,046 thousand). Capital commitments represent mainly reconstruction of switching station in Medzibrod, realization of transmission lines 2x400 kV for switching station in Medzibrod, reconstruction of transmission lines V406 Sučany-Hubová and remote management of switching stations.

The Group approved its capital expenditure budget for 2013 in the amount of EUR 106,585 thousand (the 2012 capital expenditure budget: EUR 68,511 thousand). Capital expenditures mainly relate to the reconstruction of power lines 400/110 kV Voľa and substation in Medzibrod, to reconstruction of power lines V406 Sučany-Hubová, to remote management of substation, to power lines 2x400kV between intersection of lines V409 and V071/072 and substation Voľa, for change the line V 449 Levice - God and to ICT systems.

It is expected that both internal and external funds will be used to finance these capital expenditures.

(b) Future operating lease commitments - Group as lessee

The Group has the following future minimum lease installments in relation to the above operating lease contracts:

	31 December 2012	31 December 2011
Due within 1 year	530	471
Due in 2 to 5 years	1,552	1,871
Due after 5 years	12	23
Total	**2,094**	**2,365**

The Group has also entered into an operating lease for an unlimited period of time with a possibility of termination with a 3-month termination period. The annual lease payments amount to EUR 253 thousand (31 December 2011: EUR 213 thousand). The main items include the lease of telecommunications routes.

c) Future operating lease receivables - Group as lessor

The Group leases out mainly radio relay points and optic fiber cables.

The Group records the following minimum lease installments in relation to the operating lease contracts:

	31 December 2012	31 December 2011
Due within 1 year	361	106
Due in 2 to 5 years (inclusive)	1,350	314
Due after 5 years	3,814	39
Total	**5,525**	**459**

The Group has also entered into operating lease for an unlimited period of time, for which the annual lease payments amount to EUR 523 thousand (31 December 2011: EUR 549 thousand).

The Company leases 2x110kV power lines ESt Lemešany - ES SS Košice from supporting point in Bukovec to supporting point in Lemešany in length of 18,678 km. Lease expires in 50 years, rent is calculated every year according to capital, investment and operating costs. Annual rent for 2012 amounts to EUR 310 thousand.
The basic component of the rent will be paid to lessee for the time of 20 years and operating component of the rent will be paid to lessee for the time of 50 years. The minimal lease payment includes the basic component of the rent in amount of EUR 271 thousand annually.

29 Contingent assets

Participants of short-term electricity market and deviation settlement enclose the contract with banks on bank guarantees in favour of the Group that the Group has the right to use in case of insolvency.The amount of received bank guarantees as at 31 December 2012 is EUR 80,644 thousand (as at 31 December 2011: 64,253 thousand).

30 Cash generated from operations

	Note	2012	2011
Profit before income tax		101,621	52,206
Adjustments for:			
Depreciation of property, plant and equipments	5	51,992	50,934
Depreciation of non-current intangible assets	6	7,347	7,428
Negative revaluation	5	-	15,350
Impairment charge for non-current assets	5,7	(35)	(695)
Changes in provisions for receivables	12		
Change in fair value of derivatives		(654)	(812)
(Gain)/loss on disposal of property, plant and equipment	23	41	2,166
Interest income/expense, net	25	218	509
Net movements in provisions	19	7,951	(5,740)
Changes in working capital:			
Inventories (gross)		6,193	(6,481)
Trade and other receivables		(4,380)	7,677
Trade and other payables, deferred revenues		29,229	36,903
Cash generated from operations		**199,523**	**159,445**

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment are as follows:

	Note	2012	2011
Net book amount		352	2,349
Profit/(loss) on disposal of property, plant and equipment	24, 23	(41)	(2,166)
Proceeds from disposal of property, plant and equipment		**311**	**183**

31 Related party transactions

Parties related to the Group include its sole shareholder, the company CAO and key management personnel of the Group or the shareholder.

The National Property Fund (FNM), an entity fully owned by the Slovak Republic was the sole shareholder of the parent company until 1 October 2012. Since 2 October 2012 the sole shareholder is the Ministry of Finance of Slovak Republic.

Transactions with entities that are owned or controlled directly or indirectly by the State are realized in accordance with the prevailing regulatory principles.

The National Property Fund (FNM), an entity fully owned by the Slovak Republic, is the 51% shareholder of Západoslovenská energetika, a.s., Východoslovenská energetika, a.s. and Stredoslovenská energetika, a.s..

Západoslovenská energetika – Distribúcia, a.s., Západoslovenská energetika – Energia, a.s., Východoslovenská energetika – Distribúcia, a.s. and Stredoslovenská energetika – Distribúcia are 100% subsidiaries of these companies.

As at 31 December 2012, the outstanding balances with state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	**Other receivables**	**Value adjustment to trade receivables**	**Trade and other payables**
Slovenské elektrárne, a.s.	4,767	621	-	(7,685)
Západoslovenská energetika, a.s.	55	-	-	(107)
Západoslovenská energetika – Distribúcia, a.s.	7,688	-	-	-
Západoslovenská energetika – Energia, a.s.	1,596	-	-	(659)
Východoslovenská energetika, a.s.	895	-	-	(404)
Východoslovenská energetika – Distribúcia, a.s.	2,668	-	-	(896)
Stredoslovenská energetika, a.s.	2,459	-	-	(1,668)
Stredoslovenská energetika – Distribúcia, a.s.	4,411	-	-	(3,880)
Stredoslovenská energetika Project Development, spol. s r. o.	35	-	-	(307)
Tepláreň Košice, a. s.	9	-	-	(860)
Žilinská teplárenská, a. s.	1	-	-	(189)
Martinská teplárenská, a. s.	6	-	-	(317)
Zvolenská teplárenská, a. s.	8	-	-	(419)
CAO	292	-	-	(217)

The income and expense items with state-controlled entities and government bodies for the year ended 31 December 2012 were as follows:

	Sale of service	Purchase of services
CAO, a. s.	31,065	(2,107)
Slovenské elektrárne, a.s.	31,710	(82,647)
Západoslovenská energetika, a.s.	227	(506)
Západoslovenská energetika – Distribúcia, a.s.	163,403	(20)
Západoslovenská energetika – Energia, a.s.	19,186	(3,471)
Východoslovenská energetika, a.s.	8,068	(7,488)
Východoslovenská energetika – Distribúcia, a.s.	59,248	(16,978)
Stredoslovenská energetika, a.s.	25,886	(4,205)
Stredoslovenská energetika – Distribúcia, a.s.	80,315	(66,916)
Stredoslovenská energetika Project Development, spol. s r. o.	-	(2,545)
Tepláreň Košice, a. s.	326	(6,336)
Žilinská teplárenská, a. s.	28	(1,084)
Martinská teplárenská, a. s.	118	(1,621)
Zvolenská teplárenská, a. s.	128	(2,700)

As at 31 December 2011, the outstanding balances with state-controlled entities and government bodies were as follows:

	Gross amount of trade receivables	Other receivables	Value adjustment to trade receivables	Trade and other payables
Slovenské elektrárne, a.s.	3,010	607	-	(9,663)
Západoslovenská energetika, a.s.	73	-	-	(78)
Západoslovenská energetika – Distribúcia, a.s.	7,411	-	-	6
Západoslovenská energetika – Energia, a.s.	1,539	-	-	(525)
Východoslovenská energetika, a.s.	692	-	-	(528)
Východoslovenská energetika – Distribúcia, a.s.	3,210	-	-	(4)
Stredoslovenská energetika, a.s.	2,224	-	-	(3,227)
Stredoslovenská energetika – Distribúcia, a.s.	4,261	-	-	(6,202)
Stredoslovenská energetika Project Development, spol. s r. o.	-	-	-	(194)
Tepláreň Košice, a. s.	35	-	-	(1,015)
Žilinská teplárenská, a. s.	2	-	-	(470)
Martinská teplárenská, a. s.	27	-	-	(567)
Zvolenská teplárenská, a. s.	8	-	-	(491)
CAO	702	-	-	(16)

The income and expense items with state-controlled entities and government bodies for the year ended 31 December 2011 were as follows:

	Sale of services	Purchase of services
CAO, a. s.	7,417	(385)
Slovenské elektrárne, a.s.	69,084	(98,410)
Západoslovenská energetika, a.s.	242	(689)
Západoslovenská energetika – Distribúcia, a.s.	143,219	(60)
Západoslovenská energetika – Energia, a.s.	19,186	(3,482)
Východoslovenská energetika, a.s.	7,340	(2,940)
Východoslovenská energetika – Distribúcia, a.s.	63,322	(30,303)
Stredoslovenská energetika, a.s.	22,264	(21,365)
Stredoslovenská energetika – Distribúcia, a.s.	80,660	(56,611)
Stredoslovenská energetika Project Development, spol. s r. o.	48	(2,828)
Tepláreň Košice, a. s.	334	(7,762)
Žilinská teplárenská, a. s.	-	(1,454)
Martinská teplárenská, a. s.	99	(1,567)
Zvolenská teplárenská, a. s.	115	(2,766)

Key management personnel compensation

Salaries and bonuses paid to the parent company's management, directors and other members of top management for the year ended 31 December 2012 and 31 December 2011, are as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
Salaries and short term employee benefits	2,220	1,905
Total	**2,220**	**1,905**

32 Events after the reporting period

The Consolidated Financial Statements for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards as adopted by the European Union were prepared and authorized for issue on 28 March 2013.

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Ing. Miroslav Stejskal
Chairman of the Board of Directors

....

Ing. Martin Malaník
Member of the Board of Directors

....

Ing. Ján Oráč
Person responsible for preparation of the Consolidated Financial Statements

Gerthoferová
....

Štefánia Gerthoferová
Person responsible for bookkeeping