

Consolidated financial statements
*Open Joint Stock Company Interregional Distribution
Grid Company of Northern Caucasus and its subsidiaries*
for the year ended 31 December 2014

with independent auditor's report

Consolidated financial statements
OJSC IDGC of Northern Caucasus and its subsidiaries

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Independent auditor's report

To the Shareholders and Board of Directors of
Open Joint Stock Company Interregional Distribution Grid Company of Northern Caucasus

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Interregional Distribution Grid Company of Northern Caucasus and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 the fairness of these consolidated financial statements based on our audit.

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

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



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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Open Joint Stock Company Interregional Distribution Grid Company of Northern Caucasus and its subsidiaries as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who issued an audit report with an unqualified opinion dated 1 April 2014.

A.B. Kalmykova
Partner
Ernst & Young LLC

1 April 2015

Details of the audited entity

Name: JSC Interregional Distribution Grid Company of Northern Caucasus
Record made in the State Register of Legal Entities on 4 August 2006, State Registration Number 1062632029778.
Address: Russia 357506, Stavropol region, Pyatigorsk, Energetik village, Podstantsionnaya street 13A.

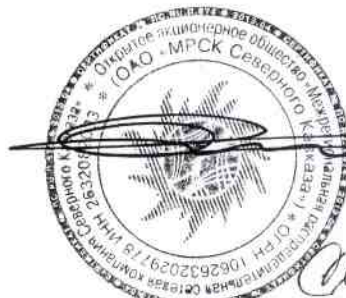
Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of self-regulatory organization of auditors Non Profit partnership "Russian Audit Chamber" ("SRO NP APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

	Notes	31 December 2014	31 December 2013 (restated)	1 January 2013 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	7	16,931,275	19,184,368	17,580,658
Intangible assets	8	86,386	77,500	63,272
Accounts receivables and loans issued	12	391,365	456,062	126,584
Deferred tax assets	9	1,584,405	982,841	950,050
Other non-current assets	10	1,061,789	1,036,601	1,016,473
Total non-current assets		20,055,220	21,737,372	19,737,037
Current assets				
Inventories	11	747,126	749,091	702,438
Income tax receivable		1,721	197	665
Trade and other receivables	12	3,086,186	3,151,625	2,483,079
Prepayments for current assets	13	18,139	51,784	65,995
Cash and cash equivalents	14	1,858,201	1,975,262	1,201,108
Non-current assets held for sale	15	10,539	14,009	6,919
Total current assets		5,721,912	5,941,968	4,460,204
TOTAL ASSETS		25,777,132	27,679,340	24,197,241
EQUITY AND LIABILITIES				
Equity				
Share capital	16	154,562	154,562	56,092
Additional paid in capital		5,052,502	5,052,502	2,596,665
Reserves		(142,755)	(122,725)	(80,883)
Retained (loss)/earnings		(4,878,846)	3,641,574	5,143,178
Total equity		185,463	8,725,913	7,715,052
Non-current liabilities				
Loans and borrowings	17	5,522,900	4,533,217	2,466,752
Trade and other payables	19	476,365	306,368	268,038
Employee benefits	18	632,287	581,614	471,958
Total non-current liabilities		6,631,552	5,421,199	3,206,748
Current liabilities				
Loans and borrowings	17	2,054,955	2,041,089	2,928,503
Trade and other payables	19	13,912,184	10,733,468	9,943,506
Provisions	21	2,031,806	428,656	114,760
Other taxes payable	20	705,412	211,744	251,576
Income tax payables		255,760	117,271	37,096
Total current liabilities		18,960,117	13,532,228	13,275,441
Total liabilities		25,591,669	18,953,427	16,482,189
TOTAL EQUITY AND LIABILITIES		25,777,132	27,679,340	24,197,241

These consolidated financial statements were approved by management on 1 April 2015 year and were signed on its behalf by:

General Director



Y.V. Zaytsev

Acting Chief accountant

O.N. Soboleva

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 55.

OJSC IDGC of Northern Caucasus
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014
(thousands of Russian Roubles, unless otherwise stated)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Revenue	22	14,763,252	14,584,701
Operating expenses	23	(23,328,475)	(15,616,033)
Other operating income	24	90,466	65,583
Operating loss		(8,474,757)	(965,749)
Finance income	26	154,390	117,918
Finance costs	26	(243,734)	(78,262)
Loss before income tax		(8,564,101)	(926,093)
Income/(expense) of income tax	27	178,073	(415,165)
Loss for the year		(8,386,028)	(1,341,258)
Total comprehensive profit/(loss)			
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement of defined benefit liability	18	11,118	(52,302)
Related income tax		(31,148)	10,460
Total items that will never be reclassified to profit or loss		(20,030)	(41,842)
Other comprehensive loss, net of income tax		(20,030)	(41,842)
Total comprehensive loss for the year		(8,406,058)	(1,383,100)
Loss per share - basic and diluted (in RUB)	16	(54.26)	(12.01)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 55.

OJSC IDGC of Northern Caucasus
Consolidated Statement of Cash Flows for the year ended 31 December 2014
(thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Operating activities			
Loss before income tax		(8,564,101)	(926,093)
<i>Adjustments for reconciliation of loss before income tax and net cash flows:</i>			
Depreciation and amortisation	7, 8, 23	1,558,011	1,374,767
Allowance for impairment of accounts receivable	23, 28	2,758,899	1,437,538
(Accrual)/reversal of allowance for obsolescence of inventories	11	(20,813)	23,586
Impairment loss on property, plant and equipment	7,23	3,074,103	–
Provision for unused vacation		57,331	75,368
Provision for legal processes	21	1,788,576	383,607
Finance income	26	(154,390)	(117,918)
Finance costs	26	243,734	78,262
Gain loss on disposal of property, plant and equipment	24	(1,782)	(12,084)
Other non-cash transactions		–	84
Operating profit before working capital changes		739,568	2,317,117
<i>Changes in working capital:</i>			
Change in accounts receivable		(2,651,809)	(2,283,725)
Change in prepayments for current assets		33,554	10,738
Change in inventories		22,778	(70,239)
Change in assets related to the employee benefit fund		(9,585)	(19,271)
Change in accounts payable		2,364,636	1,741,835
Change in employee benefits		19,423	25,253
Change in other taxes payable		493,668	(39,832)
Cash flows from operations before income tax and interest paid		1,012,233	1,681,876
Interest paid		(469,737)	(295,025)
Income tax paid in cash		(317,969)	(359,878)
Net cash flows from operating activities		224,527	1,026,973
Investing activities			
Acquisition of property, plant and equipment		(1,286,683)	(2,747,160)
Proceeds from disposal of property, plant and equipment		409	9,964
Proceeds from disposal of assets held for sale		–	2,017
Acquisition of intangible assets		(69,951)	(51,187)
Purchase of promissory notes		–	(742,383)
Loans issued		(91,665)	(332,329)
Repayment of issued loans		180,000	–
Interest received		86,886	51,522
Net cash flows used in investing activities		(1,181,004)	(3,809,556)
Financing activities			
Issue of shares	16	–	2,554,307
Proceeds from loans and borrowings		981,774	2,066,465
Repayment of loans and borrowings		–	(906,722)
Dividends paid	16	(133,669)	(154,249)
Repayment of finance lease liabilities		(8,689)	(3,064)
Net cash flows from financing activities		839,416	3,556,737
Net (decrease)/increase in cash and cash equivalents		(117,061)	774,154
Cash and cash equivalents at the beginning of the year	14	1,975,262	1,201,108
Cash and cash equivalents at the end of the year	14	1,858,201	1,975,262

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 55.

OJSC IDGC of Northern Caucasus
Consolidated Statement of Changes in Equity for the year ended 31 December 2014
(thousands of Russian Roubles, unless otherwise stated)

	Share capital	Additional paid in capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2013 (previously reported)	56,092	2,596,665	(80,883)	5,905,919	8,477,793
<i>Changes (net of income tax) (Note 2(f))</i>					
Balance at 1 January 2013 (restated)	56,092	2,596,665	(80,883)	5,143,178	7,715,052
Loss for the year	–	–	–	(762,741)	(762,741)
Remeasurement of defined post-employment benefit liability (Note 18)	–	–	–	(1,341,258)	(1,341,258)
Related income tax	–	–	(52,302)	–	(52,302)
	–	–	10,460	–	10,460
Total comprehensive loss for the year	–	–	(41,842)	(1,341,258)	(1,383,100)
Transactions with owners, recorded directly in equity					
Issue of shares (Note 16)	98,470	2,455,837	–	–	2,554,307
Dividends (Note 16)	–	–	–	(160,346)	(160,346)
Total transactions with owners, recorded directly in equity	98,470	2,455,837	–	(160,346)	2,393,961
Balance at 31 December 2013	154,562	5,052,502	(122,725)	3,641,574	8,725,913
Balance at 1 January 2014 (previously reported)	154,562	5,052,502	(122,725)	3,689,148	8,773,487
<i>Changes (net of income tax) (Note 2(f))</i>					
Balance at 1 January 2013 (restated)	154,562	5,052,502	(122,725)	3,641,574	8,725,913
Loss for the year	–	–	–	(47,574)	(47,574)
Remeasurement of defined post-employment benefit liability (Note 18)	–	–	–	(8,386,028)	(8,386,028)
Related income tax	–	–	11,118	–	11,118
	–	–	(31,148)	–	(31,148)
Comprehensive loss for the year	–	–	(20,030)	(8,386,028)	(8,406,058)
Transactions with owners, recorded directly in equity					
Dividends (Note 16)	–	–	–	(134,392)	(134,392)
Total transactions with owners, recorded directly in equity	–	–	–	(134,392)	(134,392)
Balance at 31 December 2014	154,562	5,052,502	(142,755)	(4,878,846)	185,463

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 55.

Note 1. Background

(a) The Group and its operations

Open Joint-Stock Company "Interregional Distribution Grid Company of Northern Caucasus" (hereafter, the "Company" or "OJSC IDGC of Northern Caucasus") and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 14 June 2006. Until 1 August 2007 the Company was named OJSC Southern Grid Company.

On 1 April 2008 the reorganization of the Company was completed through the merger of the grid companies of JSC Stavropolenergo, JSC Dagenergo, and JSC Caucasian Energy Management Company.

The Company's registered office is 13A, Podstancionnaya Street, Energetik village, Pyatigorsk, Stavropol region, Russian Federation, 357506.

The Group consists of the Company and its subsidiaries:

Name	Ownership, %	
	31 December 2014	31 December 2013
OJSC Dagenergoset	100.0	100.0
OJSC Energoservice	100.0	100.0

The Group's principal activity is the transmission of electricity and the connection of customers to the electricity grid.

As at 31 December 2014 and as at 31 December 2013 the Russian Government owned 86.32% of the voting ordinary shares and 7.01% of the preference shares of OJSC Russian Grids, which in turn owned 92.00% of the Company.

In accordance with the Board of Directors Meeting Minutes of no. 14 of 14 June 2014 the sole Executive board of the Company would be transferred to OJSC Russian Grids on the base of an agreement between OJSC Russian Grids and OJSC IDGC of Northern Caucasus. The General Director of OJSC IDGC of Northern Caucasus manages the Company till the ratification of the agreement.

(b) Relations with the state and regulation of the Group

Since its foundation the Company has been under control of the Government of the Russian Federation. The Government of the Russian Federation influences the Group's activities through setting power transmission and distribution tariffs.

In accordance with legislation, the Group's tariffs are controlled by the Federal Service on Tariffs and the regional executive authorities of the Russian Federation in the field of state regulation on tariffs.

The Group's customer base includes a number of entities controlled by or related to the Government of the Russian Federation. The state also controls a number of the Group's suppliers, providing electricity transmission services through a federal network, such as OJSC FGC UES which is the subsidiary of OJSC Russian Grids, and hence a related party.

(c) Russian business environment

The Group's operations are located in the Russian Federation. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2014, the Russian economy was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries. In December 2014, the Rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Note 2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements (hereinafter "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to Federal Law No.208-FZ *On consolidated financial reporting*.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRS as at 1 January 2010.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

(d) Going concern

These consolidated financial statements have been prepared on a going concern basis.

As at 31 December 2014 the Group had a net working capital deficit of RUB 13,238,205 thousand (as at 31 December 2013: RUB 7,590,260 thousand), including a net working capital deficit attributable to OJSC Dagernergoset, the Company's subsidiary, in the amount of RUB 10,634,018 thousand as at 31 December 2014 (as at 31 December 2013: RUB 5,933,933 thousand).

For the year ended 31 December 2014 a net loss of the Group amounted to RUB 8,406,058 thousand (for the year ended 31 December 2013: RUB 1,383,100 thousand), including attributable to carrying amounts of OJSC Dagernergoset of RUB 5,507,359 thousand (for the year ended 31 December 2013: RUB 2,619,054 thousand) and the impairment loss on the Group's property, plant and equipment in the amount of RUB 3,074,103 thousand in 2014 (2013: RUB 14,318 thousand).

As at 31 December 2014 for the accounts payable in the amount of RUB 6,489,079 thousand (as at 31 December 2013: RUB 5,606,143 thousand) is due to OJSC Dagestan Power Sales Company (hereinafter, OJSC DPSC), the subsidiary of OJSC Russian Grids, and hence a related party. In January 2014 OJSC DPSC filed a court claim against OJSC Dagernergoset to collect accounts payable of the compensation for electricity losses. In June 2014 OJSC Dagernergoset filed a counter-claim against OJSC DPSC due to the electricity transmission services payables (Note 31 (e)).

OJSC Dagernergoset is involved in certain legal proceedings concerning recognizing it as a bankrupt. As on 1 April 2015 the Arbitration court of the Dagestan Republic dismissed the claims of creditors to recognize OJSC Dagernergoset as a bankrupt.

There are current judicial proceedings in regard to tax disputes to OJSC Dagernergoset. As at 31 December 2014 in accordance with tax authorities decision settlement accounts are arrested. At the same time OJSC Dagernergoset continues its operating activities. The Company gives the necessary finance and operating support to OJSC Dagernergoset for continuing its operating activities.

Tariff setting issues in Dagestan Republic are under control of Management and the Board of Directors of the Company, the strategic decisions are taken in order to support going concern of OJSC Dagernergoset as a socially minded company and to improve its finance results.

Management believes that the negative impact of OJSC Dagernergoset on finance statements and finance results of the Group is narrow and have no a huge negative impact on operating cash flows of the Company. Liabilities of OJSC Dagernergoset to creditors will be met out by operating cash flows of OJSC Dagernergoset. At the same time the Company have no liabilities arising from contract terms or in consequence of applicable laws.

Management monitors maturities of the estimated cash flows from operating and financing activities and manages current liquidity using open credit lines. As at 31 December 2014 the Group had unused credit lines in the amount of RUB 2,684,702 thousand (as at 31 December 2013: RUB 666,784 thousand). Management considers that the Group has the ability to raise additional loans and borrowings.

In order to increase efficiency of working capital management the Group is focused on an increased collection of trade receivables, including doubtful receivables. The Group approved a plan of measures to reduce outstanding receivables for electricity transmission and settlement of disputes with customers. The issues regarding collection of receivables are considered by the Management Board on a regular basis.

Management believes that the Group has adequate resources to continue operation activities and to repay current liabilities. Management also believes that measures taken would be able to improve financial statements of the Group and there is no significant uncertainty regarding the Group's ability to continue as going concern in the foreseeable future.

(e) Use of judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 7 – Property, plant and equipment;
- Note 9 – Deferred tax assets;
- Note 11 – Inventories;
- Note 12 – Trade and other receivables;
- Note 18 – Employee benefits;
- Note 21 – Provisions.

(f) Presentation of changed data, changes in accounting approaches and correction of errors

Changes in the approach to recognizing revenue from connection agreements

The Group revised its approach to recognizing revenue from connection agreements for long-cycle projects to connect a consumer to a power grid where constructing a part of the grid (a new fixed asset) is required. In 2014, the Group recognized revenue from such agreements based on incurred and capitalized construction costs added to the cost basis of the fixed asset. The Group's analysis established that such connection work often involves a high level of uncertainty about the final construction costs, project completion times and final connection charge that is subject to approval by the regulating authorities after the completion of the project and may significantly affect the initial costs under the agreement. According to the historical analysis, the Group has limited ability to accurately estimate revenue from connection agreements and the project status at the end of the reporting period due to these factors that the Group cannot influence. Thus, the Group concluded that revenue from connection agreements is mostly recognized at the time the delivery and acceptance certificate is signed with the final connection charge approved by the regulatory authorities and connection technical due diligence completed.

The change in the accounting approach to connection agreements was recorded retrospectively, with the Group restating the data as at 31 December 2013, as at 1 January 2013 and for the year 2013.

The accounting approach to settlements under the technical scope assignment agreement with

OJSC FGC UES

When preparing the financial statements for the year ended 31 December 2014, the Group identified instances of incorrect recognition of unsettled payments under the technical scope assignment agreement with OJSC FGC UES. Receivables for services provided by the Group and payables (advances received) were presented in the financial statements net for the period from completion of work by the Group until the acceptance of work by OJSC FGC UES required under the agreement. Due to a dispute between the Group and OJSC FGC UES under this agreement, the Group should not have recorded receivables in the amount of RUB 787,319 thousand net within the advances received until the completion of work and the signing of the delivery and acceptance certificate by OJSC FGC UES. Since no consensus was reached under this agreement (including as at the reporting date) with OJSC FGC UES not confirming any full settlement under the agreement, the Group concluded that receivables and payables had been recorded incorrectly. Given that the Group did not expect any full settlement under the agreement in 2013 and 2014, the receivables were recorded as long-term receivables as at 31 December 2013 and 1 January 2013 within other non-current assets (Notes 10, 28). The payables represent short-term payables, as the obligations were to be performed by 1 January 2013 under the agreement and should be treated as short-term payables until full settlement (Notes 19, 28).

Reclassification

Certain comparative amounts have been reclassified to conform to the current year's presentation.

As at 31 December 2014, the Group changed the grouping and substance of items related to revenue from identified unsanctioned consumption, certain operating expenses and other operating income, since the Group believes that the presentation format used for the 2014 financial statements is more appropriate and allows its users to analyze trends for projecting and economic decision-making purposes.

The Group reclassified the following comparatives for the year ended 31 December 2013 based on the current year data:

- revenue:
 - income from non-contractual electricity consumption in the amount of RUB 21,005 thousand recorded until 2014 as income from ordinary activities (other revenue) was reclassified to other operating income;
 - income from lease services in the amount of RUB 90 thousand was reclassified from other operating income to revenue;
- operating expenses: operating expense items disclosed in the Notes were adjusted to changes in the substance of such expenses;
- other income in the amount of RUB 9,088 thousand for the year 2013 was reclassified from operating expenses to other operating income.

The table below shows the quantitative information about the impact of the above changes on the Group's consolidated statement of financial position as at 1 January 2013 and 31 December 2013 and its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

The impact on the consolidated statement of financial position as at 31 December 2013:

	31 December 2013 (previously reported)	Recalculation effect	31 December 2013 (restated)
ASSETS			
Non-current assets			
Deferred tax assets	970,948	11,893	982,841
Other non-current assets	249,282	787,319	1,036,601
Total non-current assets	20,938,160	799,212	21,737,372
Current assets			
Trade and other receivables	3,290,484	(138,859)	3,151,625
Total current assets	6,080,827	(138,859)	5,941,968
TOTAL ASSETS	27,018,987	660,353	27,679,340
EQUITY AND LIABILITIES			
Equity			
Retained earnings	3,689,148	(47,574)	3,641,574
Total equity	8,773,487	(47,574)	8,725,913
Current liabilities			
Trade and other payables	9,905,442	828,026	10,733,468
Other taxes payable	331,843	(120,099)	211,744
Total current liabilities	12,824,301	707,927	13,532,228
Total liabilities	18,245,500	707,927	18,953,427
TOTAL EQUITY AND LIABILITIES	27,018,987	660,353	27,679,340

The impact on the consolidated statement of financial position as at 1 January 2013:

	1 January 2013 (previously reported)	Recalculation effect	1 January 2013 (restated)
ASSETS			
Non-current assets			
Deferred tax assets	759,365	190,685	950,050
Other non-current assets	229,154	787,319	1,016,473
Total non-current assets	18,759,033	978,004	19,737,037
Current assets			
Trade and other receivables	2,673,972	(190,893)	2,483,079
Total current assets	4,651,097	(190,893)	4,460,204
TOTAL ASSETS	23,410,130	787,111	24,197,241
EQUITY AND LIABILITIES			
Equity			
Retained earnings	5,905,919	(762,741)	5,143,178
Total equity	8,477,793	(762,741)	7,715,052
Current liabilities			
Trade and other payables	8,273,555	1,669,951	9,943,506
Other taxes payable	371,675	(120,099)	251,576
Total current liabilities	11,725,589	1,549,852	13,275,441
Total liabilities	14,932,337	1,549,852	16,482,189
TOTAL EQUITY AND LIABILITIES	23,410,130	787,111	24,197,241

The impact on the consolidated statement of profit of loss and other comprehensive income for the year ended 31 December 2013:

	For the year ended 31 December 2013 (previously reported)	Recalculation effect	For the year ended 31 December 2013 (restated)
Revenue	13,711,657	873,044	14,584,701
Operating expenses	(15,625,121)	9,088	(15,616,033)
Other operating income, net	53,756	11,827	65,583
Operating (loss)/profit	(1,859,708)	893,959	(965,749)
Income tax expense	(236,373)	(178,792)	(415,165)
Loss for the year	(2,056,425)	715,167	(1,341,258)
Total comprehensive loss for the year	(2,098,267)	715,167	(1,383,100)
Loss per share – basic and diluted (in RUB)	(18.41)	6.40	(12.01)

Note 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations including entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Financial instruments

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents.

(iii) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: trade and other receivables, cash and cash equivalents.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in Note 12.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value. Cash and cash equivalents as presented in Note 14.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

(iv) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(e) Property, plant and equipment and investment property

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within "other operating income, net" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment and investment property are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation commences on the month following the acquisition or, in respect of internally constructed assets, from the month following the month an assets is completed and ready for use. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Type of property, plant and equipment	Useful lives (years)
Production buildings	10-80
Transmission network	10-60
Equipment for electricity transformation	5-40
Other	3-20

Depreciation methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate.

(f) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Type of intangible assets	Useful lives (years)
Licenses and certificates	1-5
Software	1-5
Other	1-10

Amortisation methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate.

Among the Research and Development group are development, engineering and technological works. Expected useful lives are determined in each case of pending of Research and Development results, but it is not able to be more than 5 years.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the consolidated statement of financial position. Operating lease payments (net of benefits granted by the lessor) are recognized in profit or loss on a straight line basis over the lease term

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Impairment

(i) Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit post-employment plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past services are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The actuarial gain or loss related to the defined benefit obligation is recognised in the statement of other comprehensive income.

(iii) Other non-current employee benefits

The Group's net obligation in respect of long term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Revenue

(i) Electricity distribution and sales of electricity

Revenue from distribution and sales of electricity is recognised in profit or loss based on an act of services rendered containing the physical volume of electricity distributed or sold. The act is prepared based on a monthly report of electricity consumption (prepared in physical volumes) for each customer. The tariffs for distribution and sales of electricity on regulated market are approved by the government agencies of the constituents of the Russian Federation in the sphere of the state energy tariff regulation within the range of cap and/or floor tariffs approved by the Federal Service on Tariffs.

(ii) Connection services

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network. The terms, conditions and amounts of these fees are negotiated separately and are independent from fees generated by electricity transmission services.

Revenue is recognized when act of acceptance is signed. For contracts where connection services are performed in stages, revenue is recognized in the proportion to the stage of completion when act of acceptance is signed by the customer.

(iii) Other services

Revenue from installation, repair and maintenance services and other sales is recognized when the services are provided or when the significant risks and rewards of ownership of the goods have passed to the buyer.

(m) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and discounts on financial instruments. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, financial leasing, discounts on financial instruments and impairment losses recognised on financial assets other than trade receivables. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(n) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only when they are declared (approved by shareholders) before or on the reporting date. Dividends are disclosed in the notes to the financial statements when they are declared after the reporting date, but before the consolidated financial statements are authorised for issue.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's results are reviewed regularly by the Management Board to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Segment financial information is presented in the Financial Statements in a manner similar to those provided to the Management Board. The amount of each segment item reported is the measure reported to the Management Board. Total amounts of segment information are reconciled to those in the consolidated financial statements (Note 6).

(r) Related parties

As the Group is a government-related entity it applies the exemption on disclosure of information about transactions with entities that are related parties because the Government of Russian Federation has control, joint control or significant influence both over them and the Group.

(s) Changes in accounting policies

In 2014 the Group applied several other new standards and amendments for the first time. However, they do not significantly impact the consolidated financial statements:

- *Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets*. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal.
- *Novation of Derivatives and Continuation of Hedge Accounting* – Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.
- *Investment Entities* – Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements*, under which a mandatory consolidation exception for certain qualifying investment entities is introduced according to IFRS 10.
- *Levies. Interpretation of IFRIC 21*. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

- *Offsetting Financial Assets and Financial Liabilities* – Amendments to IAS 32 *Financial Instruments: Presentation*. The amendments clarify assets and liabilities offsetting rules and introduce new related disclosure requirements.
- *Defined Benefit Plans: Employee Contributions* - Amendments to IAS 19 *Employee Benefits*. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The Group has not early adopted standards, amendments and interpretations that have been issued but are not yet effective.

Note 4. New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt the following pronouncements when they become effective:

- IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations on Revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
- Amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 *Intangible Assets*, entitled "Clarification of Acceptable Methods of Depreciation and Amortization". Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- IFRS 9 *Financial Instruments* was issued in phases and ultimately replaced IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. In respect of impairment IFRS 9 replaces the 'incurred loss' model used in IAS 39, with a new 'expected credit loss' model that will require a more timely recognition of expected credit losses. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The Group is currently assessing the impact of the standard on the consolidated financial statements. The Group does not intend to adopt this standard early.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* entitled "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". These narrow scope amendments clarify, that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- Amendment to IFRS 11 *Joint Arrangements*, entitled "Accounting for Acquisitions of Interests in Joint Operations". The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires the application of IFRS 3 *Business Combinations*, for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning on or after 1 January 2015. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

Note 5. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on market approach and cost approaches using quoted market prices for similar items when available.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Equity and debt securities

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(e) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Management believes that the fair value of current trade and other receivables approximates their carrying amount. This fair value is determined for disclosure purposes or when acquired in a business combination.

(f) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Note 6. Operating segments

The General Director of the Company has been determined as the Group Chief Operating Decision-Maker.

The Group's primary activity is the provision of electricity transmission services within the regions of the Russian Federation. The internal management reporting system is based on segments relating to electric energy transmission in separate regions of the Russian Federation and segments relating to other activities.

The General Director regularly evaluates and analyses the financial information of the segments reported in the statutory financial statements of respective segments.

In accordance with requirements of IFRS 8 based on the information on segment revenue, profit before income tax and total assets reported to the General Director the following reporting segments were identified:

- Transmission Segments: Dagestan Republic, North Ossetia-Alania Rpublic, Stavropol region, Kabardino-Balkaria and Karachaevo-Cherkessia Republics, Republic Ingushetia - the main activity of which is the provision of electricity transmission and distribution services within the Russian Federation;
- Other includes operation of OJSC Energoservice which doesn't meet any of the quantitative thresholds for determining reportable segments in 2014 and 2013.

Before May 2013 the Ingush branch was included in Other segment as it didn't perform economic activity and its transmissions assets were leased to related party. In May 2013 the Ingush branch started to provide the transmission of electricity and the connection of customers to the electricity grids services and was included in Electricity transmission segment.

Before July 2014 the Dagergo branch performed no economic activity and its transmissions assets were leased to OJSC Dagergo. In July 2014 the Dagergo branch started to provide the transmission of electricity and the connection of customers to the electricity grids services. The Dagergo branch and OJSC Dagergo are included in Electricity transmission segment as the Dagestan Republic segment.

Unallocated items comprise corporate balances of the Company's headquarters which do not constitute an operating segment under IFRS 8 requirements.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those for financial statements prepared under IFRS. The reconciliation of items measured as reported to the General Director with similar items in these Consolidated Financial Statements includes those reclassifications and adjustments that are necessary for financial statements to be presented in accordance with IFRS.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue and profit before income tax, as included in the internal management reports that are reviewed by the General Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(i) *Information about reportable segments*

For the year ended 31 December 2014

	Transmission Segments						Other	Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania Republic	Kabardino-Balkarian Republic	Karachayev-Cherkessian Republic	Ingushetia Republic		
Revenue								
Revenue from external counterparties	7,065,089	2,418,480	1,559,439	1,682,373	1,389,263	579,065	10	14,693,719
Inter-segment revenue	703	1,023,040	—	—	—	—	18,200	1,041,943
Total segment revenue	7,065,792	3,441,520	1,559,439	1,682,373	1,389,263	579,065	18,210	15,735,662
Including:								
<i>Electricity transmission</i>	6,610,582	2,809,145	1,550,154	1,656,110	1,384,552	577,650	—	14,588,193
<i>Connection to the electricity network</i>	410,106	12,161	1,332	22,595	1,437	475	—	448,106
<i>Other revenue</i>	45,104	620,214	7,953	3,668	3,274	940	18,210	699,363
Accrual of contingent liabilities reserve	(21,618)	(123,710)	(21,024)	(16,586)	(11,332)	(561)	—	(194,831)
Recovery of contingent liabilities reserve	6,151	75,101	350	—	134	23	—	81,759
Finance income	71,979	4,534	15,082	16,082	13,839	5,776	—	127,292
Finance costs	(104,494)	(28,881)	(69,179)	(65,013)	(84,437)	(8,940)	—	(360,944)
Depreciation	(743,608)	(491,648)	(180,124)	(219,328)	(193,234)	(53,803)	(763)	(1,882,508)
Profit/(loss) before income tax	648,258	(4,955,040)	(295,819)	(194,721)	62,457	(739,050)	880	(5,473,035)
Income tax	(179,783)	676,894	38,303	24,662	(17,673)	150,142	(277)	692,268

For the year ended 31 December 2013

	Transmission Segments						Total
	Stavropol region	Dagestan Republic	North Ossetia- Alania Republic	Kabardino- Balkarian Republic	Karachayevo- Cherkessian Republic	Ingushetia Republic	
Revenue							
Revenue from external counterparties	7,385,631	2,084,953	1,428,193	1,782,100	1,386,746	423,668	14,501,220
Total segment revenue	7,385,631	2,084,953	1,428,193	1,782,100	1,386,746	423,668	14,501,220
Including:							
<i>Electricity transmission</i>	6,175,933	2,076,811	1,422,765	1,768,764	1,378,395	405,743	13,228,411
<i>Connection to the electricity network</i>	1,170,266	5,469	2,110	9,183	5,405	3,384	1,195,817
<i>Other revenue</i>	39,432	2,673	3,318	4,153	2,946	14,541	76,992
Accrual of contingent liabilities reserve	(18,266)	(286,844)	(1,847)	(41,303)	(1,900)	–	(350,160)
Recovery of contingent liabilities reserve	4,843	4,456	36,407	5,784	1,760	–	53,250
Finance income	40,042	–	6,480	7,813	5,625	2,215	62,175
Finance costs	(59,318)	(17,111)	(30,049)	(34,279)	(44,319)	(3,738)	(188,814)
Depreciation	(686,509)	(500,148)	(157,231)	(181,169)	(207,049)	(37,422)	(1,770,314)
Profit/(loss) before income tax	1,340,535	(2,830,028)	(261,262)	29,170	124,823	(120,244)	(1,725,660)
Income tax	(383,605)	362,911	15,537	(98,549)	(85,874)	15,484	(172,443)

As at 31 December 2014

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia- Alania Republic	Kabardino- Balkarian Republic	Karachayevo- Cherkessian Republic	Ingushetia Republic
Segment assets	9,515,786	11,500,615	3,748,129	3,148,484	2,314,473	1,638,047
<i>Including property plant and equipment</i>	7,824,021	8,213,453	2,190,042	2,478,981	2,134,796	1,278,392
Segment liabilities	1,810,893	11,337,937	715,974	606,172	526,989	473,949
Capital expenditure	948,534	390,672	97,610	136,069	205,885	108,335
						1,887,105

As at 31 December 2013

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia- Alania Republic	Kabardino- Balkarian Republic	Karachayevo- Cherkessian Republic	Ingushetia Republic
Segment assets	9,044,340	10,734,194	3,201,858	3,290,830	2,272,152	1,716,874
<i>Including property, plant and equipment</i>	7,593,564	8,317,966	2,267,011	2,549,842	2,114,072	1,232,109
Segment liabilities	1,280,285	8,959,652	498,613	512,406	404,271	298,119
Capital expenditure	1,014,388	305,182	406,053	433,107	426,786	139,528
						2,725,044

(ii) Reconciliation of reportable segment revenue, (loss)/profit before income tax and assets and liabilities

Reconciliation of key segment items measured as reported to the General Director with similar items in these financial statements is presented in the tables below.

Reconciliation of reportable segment revenue is presented below:

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Total segment revenues	15,735,662	14,501,220
Inter-segment revenue elimination	(1,041,943)	–
Reclassification from other income	890	21,193
Unallocated revenues	68,643	62,288
Revenues per consolidated statement of profit or loss and other comprehensive income	14,763,252	14,584,701

The Group performs its activities in the Russian Federation and does not have any significant revenues from foreign customers or any significant non-current assets located in foreign countries.

Reconciliation of reportable segment loss before income tax is presented below:

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Total segment loss before income tax	(5,473,035)	(1,725,660)
Adjustment on property, plant and equipment	604,346	613,920
Impairment loss on property, plant and equipment	(3,074,103)	–
Adjustment for finance leasing	(17,520)	–
Adjustment for inventories evaluation	39	3,799
Bad debt allowance adjustment	1,006,533	203,019
Other provisions adjustment	(1,565,571)	41,880
Retirement benefit obligations recognition	(36,493)	(37,145)
Reclassified expenses for the purposes of IFRS	85	(19,726)
Discounting of long-term receivables	12,036	17,916
Discounting of long-term payables	(35,665)	(38,329)
Reversal of investments to subsidiaries impairment	80,150	–
Reversal of accrued revenue and expenses on disagreements	–	62,107
Accrued payments to personnel	–	(8,548)
Other adjustments	17,326	991
Unallocated	(82,229)	(40,317)
Loss before income tax per consolidated statement of profit or loss and other comprehensive income	(8,564,101)	(926,093)

Reconciliation of reportable segment total assets is presented below:

	31 December 2014	31 December 2013 (restated)
Total segment assets	31,872,373	30,267,985
Adjustment for net book value of property, plant and equipment	(5,765,030)	(6,368,681)
Impairment loss on property, plant and equipment	(3,074,103)	–
Adjustments for impairment of account receivables	(13,867)	779,603
Adjustments for discounting account receivables	(56,917)	(68,953)
Inventories written-off	(5,785)	(26,610)
Recognition of assets related to employee benefits	274,373	249,075
Adjustment for deferred tax calculation	(1,687,327)	(1,269,612)
Adjustment for finance leasing	(3,458)	–
Other adjustments	(1,638)	(1,863)
Unallocated assets*	4,238,511	4,118,396
Total assets per Consolidated Statement of Financial Position	25,777,132	27,679,340

Reconciliation of reportable segment total liabilities is presented below:

	31 December 2014	31 December 2013 (restated)
Total segment liabilities	15,488,033	11,957,021
Adjustments for discounting account payables	(734,565)	(770,230)
Post-employment benefits	632,287	581,614
Adjustment for deferred tax calculation	(914,311)	(854,178)
Adjustment for finance leasing	14,062	–
Adjustment for other provisions	1,565,571	–
Income tax payables adjustment	210,278	–
Other adjustments	(20,031)	(22,378)
Unallocated liabilities*	9,350,345	8,061,578
Total liabilities per Consolidated Statement of Financial Position	25,591,669	18,953,427

* unallocated amounts mainly consist of loans, cash and certain Property, plant and equipment.

Note 7. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transfor- mation	Construction in progress	Other	Total
Cost						
Balance at 1 January 2013	1,565,654	6,440,420	6,789,667	6,116,476	2,049,855	22,962,072
Additions	41,242	125,102	90,293	2,481,846	244,192	2,982,675
Transfer	109,467	618,394	1,055,812	(2,013,020)	229,347	–
Disposals	(342)	(1,330)	(4,840)	(708)	(38,701)	(45,921)
Reclassifications	(444,158)	464,553	(53,532)	–	33,137	–
Transfer to non-current assets for sale	(8,817)	–	–	–	(135)	(8,952)
Balance at 31 December 2013	1,263,046	7,647,139	7,877,400	6,584,594	2,517,695	25,889,874
Balance at 1 January 2014	1,263,046	7,647,139	7,877,400	6,584,594	2,517,695	25,889,874
Additions	133,596	139,664	147,979	1,788,486	148,935	2,358,660
Transfer	28,887	895,309	549,872	1,837,565	363,497	–
Disposals	(356)	(561)	(801)	(12,493)	(9,626)	(23,837)
Transfer to non-current assets for sale	(283)	–	–	–	–	(283)
Balance at 31 December 2014	1,424,890	8,681,551	8,574,450	6,523,022	3,020,501	28,224,414
Accumulated depreciation and impairment						
Balance at 1 January 2013	(229,604)	(2,632,577)	(1,577,215)	(248,396)	(693,622)	(5,381,414)
Depreciation for the year	(72,716)	(455,572)	(440,024)	–	(377,546)	(1,345,858)
Impairment loss	(956)	(7,567)	(8,487)	2,692	–	(14,318)
Transfer	5,615	(4,253)	5,183	–	(6,545)	–
Disposals	281	1,167	2,260	13	31,227	34,948
Transfer to non-current assets for sale	1,001	–	–	–	135	1,136
Balance at 31 December 2013	(296,379)	(3,098,802)	(2,018,283)	(245,691)	(1,046,351)	(6,705,506)
Balance at 1 January 2014	(296,379)	(3,098,802)	(2,018,283)	(245,691)	(1,046,351)	(6,705,506)
Depreciation for the year	(80,411)	(492,598)	(494,786)	–	(453,221)	(1,521,016)
Impairment loss	(12,920)	(678,662)	(501,916)	(1,878,580)	(2,025)	(3,074,103)
Transfer	–	718	–	(718)	–	–
Disposals	38	403	476	–	6,483	7,400
Transfer to non-current assets for sale	86	–	–	–	–	86
Balance at 31 December 2014	(389,586)	(4,268,941)	(3,014,509)	(2,124,989)	(1,495,114)	(11,293,139)
Net book value						
At 1 January 2013	1,336,050	3,807,843	5,212,452	5,868,080	1,356,233	17,580,658
At 31 December 2013	966,667	4,548,337	5,859,117	6,338,903	1,471,344	19,184,368
At 31 December 2014	1,035,304	4,412,610	5,559,941	4,398,033	1,525,387	16,931,275

As at 31 December 2014 construction in progress includes advance payments for property, plant and equipment of RUB 622,513 thousand (as at 31 December 2013: RUB 776,405 thousand).

As at 31 December 2014 advances for property, plant and equipment with a carrying amount of RUB 32,704 thousand were impaired (as at 31 December 2013: RUB 22,875 thousand). The impairment loss was recognised in operating expenses.

As at 31 December 2014 construction in progress includes construction materials of RUB 12,267 thousand (as at 31 December 2013: RUB 29 thousand).

Borrowing costs totalling RUB 329,307 thousand with a capitalisation rate of 8.87 % were included in the cost of property, plant and equipment and represent interest on loans (2013 - RUB 309,856 thousand with a capitalisation rate of 8.4%).

Depreciation of fixed assets in the amount of RUB 763 thousand was capitalised as Construction in progress for 2014.

Transfer to non-current assets held for sale

For the year ended 31 December 2014 some items of property, plant and equipment in the amount of RUB 197 thousand (2013 - RUB 7,816 thousand) were classified as "Non-current assets held for sale" (Note 15).

Determination of recoverable amount of property, plant and equipment

At the end of the reporting period the Group assessed whether there was any indication that a cash-generating unit may be impaired. For those CGUs where such indication exists, the Group performed impairment testing in order to estimate the recoverable amount of the CGU.

As at 31 December 2014 the assessment of property, plant and equipment was performed in order to detect any indications of impairment.

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value. Therefore the value in use for property, plant and equipment as at 31 December 2014 was determined using projected cash flows. This method considers the future net cash flows expected to be generated through the use of property, plant and equipment in the business to its ultimate disposal to determine the recoverable amount of the assets.

Each cash-generating unit is determined by the Group based on the geographical location of the Company's branches and subsidiaries which is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other groups of assets.

The following key assumptions were used in determining the recoverable amounts of the assets of cash-generating units as at 31 December 2014:

- cash flows were projected based on Methodical instruction on testing power grid assets for impairment (approved by the order no. 558p of OJSC Russian Grids dated 17 December 2014) and forecast data until 2019;
- the forecast cash flows have been identified for the period 2015-2019 (for all cash-generating units), based on the best estimate of the Group's management in respect of the electricity transmission volumes, operating expenses and capital expenditure, and tariffs approved by regulatory authorities for;
- distribution tariffs for the forecast period were estimated based on business plans, adjusted and agreed by OJSC Russian Grids, which were based on tariff models using average increase of rate on electricity transmission services (in accordance with forecast on social and economic development for 2015 and planning period of 2016-2017). Tariff growth rate in 2017-2019 are limited by forecast inflation growth rate of MED (until 2030);
- forecasted electricity transmission volumes were determined on the basis of the Company's annual business plans for 2015-2019;
- the cash flow forecasts were discounted to their present value at a nominal average cost of capital of 11.16%;
- the terminal growth rate of the net cash flows was set at 2.6% for each cash-generating unit in the post-forecasted period.

As a result of impairment testing as at 31 December 2014 the Group recognized impairment loss in the amount of RUB 3,034,135 thousand on property, plant and equipment of the Dagestan Republic and the Ingushetia Republic operating segments (Note 6). Also in 2014 the Group recognized an individual impairment loss in the amount of RUB 30,138 thousand on property, plant and equipment and construction in progress and the impairment loss in the amount of RUB 9,830 thousand on advances for property, plant and equipment.

As the result of impairment testing no impairment loss was recognized for 2013.

Quantitative information about key estimates applied by Management in impairment testing of property, plant and equipment by cash-generating units is disclosed below:

Dagestan Republic

	2015	2016	2017	2018	2019	Post-forecast period
profitability by operating activity (net of income tax)	—*	—*	—*	4.0%	6.0%	8.0%
growth rate of gross revenue from electricity transmission to the previous year	—	10.1%	8.9%	7.5%	7.1%	3.5%
growth rate of operating expenses	2.5%	2.8%	7.7%	5.5%	9.6%	1.0%
proportion of capital expenditure to the amount of depreciation	52.1%	93.5%	24.5%	21.0%	22.3%	100.0%
percentage of revenue collection	55.0%	60.0%	75.0%	90.0%	100.0%	100.0%

* in years 2015-2017 no operating profit for the cash-generating unit was included in forecasts

The most conservative metrics of profitability by operating activity for the Dagestan Republic cash-generating unit were used in the model in post-forecasted period. If the profitability by operating activity equals 12%, it would have resulted in no impairment.

The conservative metric of long-term growth rate of the net cash flows for post-forecasted period in the amount of 2.6% was used in the model. An increase of 3.3 percentage point (to 5.9%) in the growth rate used would have resulted in no impairment.

The weighted average amount of revenue collection of 70% was used in the model. An increase of 20 percentage point (to 90%) in the amount used would have resulted in no impairment.

Changing in the level of capital expenditures, the discounting rate, the long-term growth rate and the level of operating expenses within due limits would not have resulted in no impairment.

Ingushetia Republic

	2015	2016	2017	2018	2019	Post-forecast period
profitability by operating activity (net of income tax)	—*	—*	—*	4.0%	6.0%	8.0%
growth rate of gross revenue from electricity transmission to the previous year	32.5%	9.9%	7.5%	7.6%	7.4%	3.5%
growth rate of operating expenses	5.6%	5.7%	2.4%	6.6%	5.8%	3.2%
proportion of capital expenditure to the amount of depreciation	5.1%	0.0%	3.7%	6.8%	17.1%	100.0%
percentage of revenue collection	45.0%	60.0%	75.0%	90.0%	100.0%	100.0%

* in years 2015-2017 no operating profit for the cash-generating unit was included in forecasts

The most conservative metrics of profitability by operating activity for the Ingushetia Republic cash-generating unit were used in the model in post-forecasted period. If the profitability by operating activity equals 19%, it would have resulted in no impairment.

The conservative metric of long-term growth rate of the net cash flows for post-forecasted period in the figure of 2.6% was applied in the model. An increase of 5 percentage point (to 7.6%) in the growth rate applied would have resulted in no impairment.

The weighted average amount of revenue collection of 70% was used in the model. An increase of 10 percentage point (to 80%) in the amount used would have caused the decrease in the recognition of impairment loss of RUB 291,901 thousand. In this case the impairment loss of Ingushetia Republic cash-generating unit would be equal RUB 531,785 thousand.

Changing in the level of capital expenditures, the discounting rate, the long-term growth rate and the level of operating expenses within due limits would not have resulted in no impairment.

North Ossetia-Alania Republic

	2015	2016	2017	2018	2019
profitability by operating activity (net of income tax)	6.2%	14.5%	19.5%	23.7%	24.3%
growth rate of gross revenue from electricity transmission to the previous year	27.7%	9.45%	8.2%	7.0%	9.6%
growth rate of operating expenses	55.8%	(2.7)%	(0.1)%	1.0%	6.7%
proportion of capital expenditure to the amount of depreciation	21.4%	0.0%	2.3%	27.4%	45.5%
percentage of revenue collection	100.0%	100.0%	100.0%	100.0%	100.0%

Information for the post-forecast period is not presented as the post-forecast period use the multiplier RAB - method.

Kabardino-Balkarian Republic

	2015	2016	2017	2018	2019
profitability by operating activity (net of income tax)	9.1%	11.5%	14.8%	17.2%	19.1%
growth rate of gross revenue from electricity transmission to the previous year	5.5%	8.2%	6.6%	7.8%	7.9%
growth rate of operating expenses	5.5%	3.3%	1.5%	3.9%	4.6%
proportion of capital expenditure to the amount of depreciation	22.8%	0.0%	2.7%	28.7%	43.1%
percentage of revenue collection	100.0%	100.0%	100.0%	100.0%	100.0%

Information for the post-forecast period is not presented as the post-forecast period use the multiplier RAB - method.

The above estimates by cash-generating units are particularly sensitive to the following changes:

Dagestan Republic

	Change of capital expenditures in the forecast period and the post-forecast period	Change of the ratio of the level of capital expenditure to the amount of depreciation in the forecast period and the post-forecast period	Change of revenue from electricity transmission to the initial value in each period	Change of nominal average cost of capital	Change of operating expenses	Change of percentage of revenue collection in monetary terms
'change, % value in use effect of change	30% 1,547,022 (2,519,326)	63% 207,599 (3,858,749)	10% 2,548,790 (1,517,558)	1,2% 1,276,841 (2,789,507)	10% 671,771 (3,394,577)	4% 2,329,539 (1,736,809)
'change, % value in use effect of change	20% 1,649,982 (2,416,366)	53% 468,791 (3,597,557)	5% 2,211,889 (1,854,459)	0,8% 1,421,790 (2,644,558)	5% 1,314,530 (2,751,818)	14% 3,475,593 (590,755)
'change, % value in use effect of change	10% 1,752,941 (2,313,407)	43% 729,981 (3,336,367)	3% 2,071,778 (1,994,570)	(0,8)% 2,387,808 (1,678,540)	(5)% 2,397,270 (1,669,078)	24% 4,337,866 271,518
'change, % value in use effect of change	(10)% 1,958,860 (2,107,488)	33% 991,171 (3,075,177)	(3)% 1,633,152 (2,433,196)	(1,2)% 2,623,120 (1,443,228)	(10)% 2,938,641 (1,127,707)	34% 4,913,990 847,642
'change, % value in use effect of change	(20)% 2,061,812 (2,004,536)	— — —	(5)% 1,480,836 (2,585,512)	— — —	— — —	— — —
'change, % value in use effect of change	(30)% 2,164,772 (1,901,576)	— — —	(10)% 0 (4,066,348)	— — —	— — —	— — —

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	Change of capital expenditures in the forecast period and the post-forecast period	Change of the ratio of the level of capital expenditure to the amount of depreciation in the forecast period and the post-forecast period	Change of revenue from electricity transmission to the initial value in each period	Change of nominal average cost of capital	Change of operating expenses	Change of percentage of revenue collection in monetary terms
'change, % value in use effect of change	30% 530,698 (832,924)	94% 87,431 (1,276,191)	10% 789,271 (574,351)	1,2% 433,325 (930,297)	10% 323,476 (1,040,146)	30% 1,071,721 (291,901)
'change, % value in use effect of change	20% 533,780 (829,842)	84% 135,746 (1,227,876)	5% 663,418 (700,204)	0,8% 460,088 (903,534)	5% 445,665 (917,957)	20% 920,402 (443,220)
'change, % value in use effect of change	10% 536,856 (826,766)	74% 184,060 (1,179,562)	3% 613,739 (749,883)	(0,8)% 637,285 (726,337)	(5)% 634,212 (729,410)	10% 758,783 (604,839)
'change, % value in use effect of change	(10)% 543,020 (820,602)	64% 232,372 (1,131,250)	(3)% 466,989 (896,633)	(1,2)% 680,215 (683,407)	(10)% 728,485 (635,137)	— — —
'change, % value in use effect of change	(20)% 546,095 (817,527)	— — —	(5)% 417,526 (946,096)	— — —	— — —	— — —
'change, % value in use effect of change	(30)% 549,178 (814,444)	— — —	(10)% (234,997) (1,598,619)	— — —	— — —	— — —

Note 8. Intangible assets

	Certificates and licences	Software	Research and development	Other	Total
<i>Cost</i>					
Balance at 1 January 2013	1,759	52,874	23,777	700	79,110
Additions	–	39,142	7,928	4,118	51,188
Disposals	(1,560)	(14,438)	(8,051)	(178)	(24,227)
Balance at 31 December 2013	199	77,578	23,654	4,640	106,071
Balance at 1 January 2014	199	77,578	23,654	4,640	106,071
Additions	–	45,392	2,600	21,959	69,951
Disposals	–	(40,721)	(23,254)	(487)	(64,462)
Balance at 31 December 2014	199	82,249	3,000	26,112	111,560
<i>Amortisation</i>					
Balance at 1 January 2013	(159)	(15,379)	–	(300)	(15,838)
Amortisation charge	(1,528)	(26,989)	–	(392)	(28,909)
Disposals	1,561	14,437	–	178	16,176
Balance at 31 December 2013	(126)	(27,931)	–	(514)	(28,571)
Balance at 1 January 2014	(126)	(27,931)	–	(514)	(28,571)
Amortisation charge	(33)	(36,724)	–	(1,054)	(37,811)
Disposals	–	40,721	–	487	41,208
Balance at 31 December 2014	(159)	(23,934)	–	(1,081)	(25,174)
<i>Net book value</i>					
At 1 January 2013	1,600	37,495	23,777	400	63,272
At 31 December 2013	73	49,647	23,654	4,126	77,500
At 31 December 2014	40	58,315	3,000	25,031	86,386

Amortization of intangible assets in the amount of RUB 53 thousand was capitalised as Construction in progress for 2014.

Note 9. Deferred tax assets

(a) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	31 December 2014	31 December 2013 (restated)	31 December 2014	31 December 2013 (restated)	31 December 2014	31 December 2013 (restated)
Property, plant and equipment	655,567	172,615	(60)	(457)	655,507	172,158
Other non-current assets	304	5,052	(16,018)	—	(15,714)	5,052
Investments	—	—	(30)	(41)	(30)	(41)
Inventories	439	2,801	(4,278)	—	(3,839)	2,801
Trade and other receivables	1,280,703	1,036,509	—	—	1,280,703	1,036,509
Other current assets	1,495	—	—	—	1,495	—
Provisions	74,399	85,731	—	—	74,399	85,731
Employee benefits	—	66,508	(30,633)	—	(30,633)	66,508
Trade and other payables	12,636	7,188	(89,197)	(102,293)	(76,561)	(95,105)
Finance lease liability	2,812	—	—	—	2,812	—
Tax loss carry-forwards	1,363,404	1,022,786	—	—	1,363,404	1,022,786
Deferred tax assets / (liabilities)	3,391,759	2,399,190	(140,216)	(102,791)	3,251,543	2,296,399
Set-off	(140,216)	(102,791)	140,216	102,791	—	—
Unrecognized of deferred tax assets	(1,667,138)	(1,313,558)	—	—	(1,667,138)	(1,313,558)
Net deferred tax assets / (liabilities)	1,584,405	982,841	—	—	1,584,405	982,841

(b) Movement in deferred taxes during the year

	1 January 2014	Recognised in profit or loss	Recognised in equity	31 December 2014
Property, plant and equipment	172,158	483,349	–	655,507
Other non-current assets	5,052	(20,766)	–	(15,714)
Investments	(41)	11	–	(30)
Inventories	2,801	(6,640)	–	(3,839)
Trade and other receivables	1,036,509	244,194	–	1,280,703
Other current assets	–	1,495	–	1,495
Provisions	85,731	(11,332)	–	74,399
Employee benefits	66,508	(65,993)	(31,148)	(30,633)
Trade and other payables	(95,105)	60,600	–	(34,505)
Finance lease liability	–	2,812	–	2,812
Tax loss carry-forwards	1,022,786	340,618	–	1,363,404
Unrecognized of deferred tax assets	(1,313,558)	(395,636)	–	(1,709,194)
Net deferred tax assets	982,841	632,712	(31,148)	1,584,405

	1 January 2013	Recognised in profit or loss	Recognised in equity	31 December 2013 (restated)
Property, plant and equipment	554,755	(382,597)	–	172,158
Other non-current assets	2,884	2,168	–	5,052
Investments	(8)	(33)	–	(41)
Inventories	1,169	1,632	–	2,801
Trade and other receivables	535,609	500,900	–	1,036,509
Provisions	8,376	77,355	–	85,731
Employee benefits	48,618	7,430	10,460	66,508
Trade and other payables	(97,778)	2,673	–	(95,105)
Tax loss carry-forwards	704,381	318,405	–	1,022,786
Unrecognized of deferred tax assets	(807,956)	(505,602)	–	(1,313,558)
Net deferred tax assets	950,050	22,331	10,460	982,841

Management believes that the Company will have pre-tax income in the future enough to utilize the deferred tax assets.

(c) Unrecognised deferred tax assets

As at 31 December 2014 unrecognised deferred tax assets include deferred tax in the amount RUB 1,362,266 thousand (as at 31 December 2013: RUB 1,022,786 thousand) on tax losses carried forward and deferred tax in the amount of RUB 304,872 thousand (as at 31 December 2013: RUB 290,772 thousand) on temporary differences arising in respective of a loss-making subsidiary OJSC Dagenergoset. These deferred tax assets are not recognised because it is not probable that enable taxable profits would be achieved in future for utilizing of these deferred tax assets.

The deductible temporary differences do not expire under current tax legislation. Tax losses expire in 10 years from their origination in 2023-2024. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in this subsidiary against which benefits could be utilised.

Note 10. Other non-current assets

	31 December 2014	31 December 2013 (restated)	1 January 2013 (restated)
Assets related to the employee benefit fund	274,373	249,075	228,866
Accounts receivables related with OJSC FGC UES	787,319	787,319	787,319
Other	97	207	288
Total	1,061,789	1,036,601	1,016,473

Assets related to the employee benefit fund relate to the Group contributions accumulated in “solidary” and employees’ individual pension accounts with the Non-State Pension Fund of Electric Power Industry (employee benefit fund). Subject to certain restrictions 80% of contributions to the employee benefit fund can be withdrawn at the discretion of the Group.

Long-term accounts receivables with OJSC FGC UES are described in Note 2(f).

The Group's exposure to credit and currency risks is disclosed in Note 28.

Note 11. Inventories

	31 December 2014	31 December 2013
Raw materials and consumables	757,932	780,839
Other inventories	881	752
Allowance for obsolescence of inventories	(11,687)	(32,500)
Total	747,126	749,091

Note 12. Trade and other receivables

	31 December 2014	31 December 2013
<i>Non-current accounts receivable and loans issued</i>		
Trade receivables	98,185	111,470
Other receivables	3,679	1,610
Loans issued	289,501	342,982
Total	391,365	456,062
<i>Current accounts receivable</i>		
Trade receivables	9,956,997	6,967,935
Trade receivables impairment allowance	(7,264,666)	(4,440,545)
Other receivables	89,550	149,723
Other receivables impairment allowance	(45,857)	(111,170)
VAT recoverable	174,319	202,531
Prepaid taxes, other than income tax	175,843	383,151
Total	3,086,186	3,151,625

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28.

Note 13. Prepayments for current assets

	31 December 2014	31 December 2013
Advances given	27,703	61,257
Advances given impairment allowance	(9,564)	(9,473)
Total	18,139	51,784

Note 14. Cash and cash equivalents

	31 December 2014	31 January 2013
Cash at bank and in hand	1,858,047	1,975,043
Cash equivalents	154	219
Total	1,858,201	1,975,262

As at 31 December 2014 cash and cash equivalents include balances in the amount of RUB 1,170,294 thousand (31 December 2013: RUB 1,010,294 thousand), which represent minimum required balances on the accounts in order to get additional finance income at interest rates of 8.0-21.0% per annum as at 31 December 2014 and 5.0-5.24% per annum as at 31 December 2013. The requirement to maintain minimum level of cash balances does not restrict the Company's ability to use cash at any time, however, in case of breaking requirement on minimum required balances interest income is not accrued.

All cash and cash equivalents are denominated in RUB.

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

Note 15. Non-current assets held for sale

For the year ended 31 December 2014 some items of property, plant and equipment in the amount of RUB 197 thousand are classified as "Non-current assets held for sale" (2013 - RUB 7,816 thousand). The movement in the non-current assets held for sale during the year was as follows:

	2014	2013
Balance at 1 January	14,009	6,919
Additions	197	7,816
Disposals	(3,667)	(726)
Balance at 31 December	10,539	14,009

Note 16. Equity

Share capital

	31 December 2014	31 December 2013
Number of ordinary shares authorised, issued and fully paid (in shares)	154,562,277	154,562,277
Par value (in RUB)	1	1
Total share capital (in RUB)	154,562,277	154,562,277

Issuance of additional shares

On 15 March 2013 an Extraordinary General Meeting of Shareholders of the Company approved an increase in charter capital through issuance of additional 125,722,698 ordinary shares with a par value of 1.0 rouble each under an open subscription. The approved offering price was RUB 25.94. This share issuance was registered by the Federal Service for Financial Markets on 30 May 2013. In June, July and September 2013 the issuance was completed and 98,469,789 shares were subscribed and fully paid. The amount of RUB 98,470 thousand and RUB 2,455,837 thousand, respectively, were recognised as share capital and additional paid in capital within equity for the year ended 31 December 2013.

Dividends paid and declared

The Company's statutory financial statements form the basis for the distribution of profit and other appropriations. Due to differences between statutory accounting principles and IFRS, the Company's profit in the statutory accounts can differ significantly from that reported in the consolidated financial statements prepared under IFRS.

At the annual general meeting of shareholders of OJSC IDGC of Northern Caucasus held on 24 June 2014 the decision was made to declare dividends of RUB 134,392 thousand (0.8695 RUB per ordinary share). For the year ended 31 December 2014, the Group paid dividends of RUB 133,669 thousand and income tax related to dividends of RUB 295 thousand.

At the annual general meeting of shareholders of OJSC IDGC of Northern Caucasus held on 19 June 2013 the decision was made to declare dividends of RUB 160,346 thousand (2.8596 RUB per ordinary share) for the year ended 31 December 2012. During the year ended 31 December 2013 the Group paid dividends of RUB 154,249 thousand and income tax related to dividends of RUB 3,025.

As at 31 December 2014 dividends payable of the Group amounted to RUB 3,790 thousand (as at 31 December 2013: 3,362 thousand).

Loss per share

The calculation of loss per share is based upon the loss for the year and the weighted average number of ordinary shares outstanding during the year. The Company has no dilutive potential ordinary shares.

<i>In shares</i>	2014	2013
Number of ordinary shares issued as at 1 January	154,562,277	56,092,488
Effect of ordinary shares issued for the period	–	55,582,787
Weighted average number of ordinary shares issued as at 31 December	154,562,277	111,675,275

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Weighted average number of ordinary shares issued	154,562,277	111,675,275
Loss attributable to the shareholders	(8,386,028)	(1,341,258)
Weighted average loss per ordinary share – basic and diluted (in RUB)	(54.26)	(12.01)

Note 17. Loans and borrowings

Non-current loans and borrowings

	Effective interest rate, %	Currency	Year of maturity	31 December 2014	31 December 2013
<i>Loans</i>					
JSC Sberbank*	7.90-12.41	RUB	2016-2018	3,015,297	2,095,509
JSC Gazprombank*	9.50-20.00	RUB	2016	2,526,256	2,456,557
Finance lease liability				14,062	–
Total non-current debt				5,555,615	4,552,066
<i>Less current portion of long-term debt and finance lease liability</i>				(32,715)	(18,849)
Total				5,522,900	4,533,217

Current borrowings

	Effective interest rate, %	Currency	31 December 2014	31 December 2013
Borrowings				
OJSC Russian Grids**	–	RUB	30,000	30,000
Total borrowings			30,000	30,000
Promissory notes				
OJSC Russian Grids**	–	RUB	1,541,035	1,541,035
OJSC FGC UES**	–	RUB	451,205	451,205
Total promissory notes			1,992,240	1,992,240
<i>Current portion of long-term debt</i>			26,562	18,849
<i>Current portion of finance lease liability</i>			6,153	–
Total			2,054,955	2,041,089

* Loans from government-related entities.

** Borrowings and promissory notes from the parent company and its subsidiary.

For the year ended 31 December 2014 there were no any repayment of loans and borrowings. The Company raised RUB 666,476 thousand using previously open credit line and using new credit line – RUB 315,298 thousands.

All loans and borrowings listed above are bank borrowings with fixed interest rate.

The Group has not entered into any hedging arrangements in respect of its interest rate exposure.

As at 31 December 2014 and 31 December 2013 all loans and borrowings were unsecured.

Financial lease liabilities are payable as follows:

	31 December 2014		31 December 2013	
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments
From 1 to 5 years	9,026	1,117	7,909	—
Less than 1 year	9,000	2,847	6,153	—
Total	18,026	3,964	14,062	—

Note 18. Employee benefits

The Group provides the following long-term pension and social benefit plans:

- defined contribution pension plan and defined benefit pension plan (Non-State Pension Fund of the Electric Power and Non-State Pension Fund "Professional");
- defined benefit pension plans and other long-term defined benefit plans regulated by Collective Bargaining Agreements that include lump sum benefit for pensioners upon retirement, benefits paid in connection with the jubilee dates of pensioners and employees, financial support for pensioners and one-time benefits paid in case of the death of pensioners and others.

The amounts of defined benefit liability recognised in the consolidated statement of financial position are as follows:

	31 December 2014	31 December 2013
Net post employment benefits	562,430	535,264
Net other long-term employee benefits	69,857	46,350
Net defined benefit liability	632,287	581,614

Changes in carrying value of assets related to employee benefit fund are set out below.

	For year ended	
	31 December 2014	31 December 2013
Carrying value of assets as at 1 January	249,075	228,866
Return on plan assets	15,713	938
Employer's contribution	—	33,249
Other movements	27,405	—
Benefits paid	(17,820)	(13,978)
Carrying value of assets as at 31 December	274,373	249,075

The assets related to pension programs and defined benefit are administrated by Non-state Pension Fund, Non-state Pension Fund of the Power Industry and Non-state Pension Fund "Professional". The assets are not The Fund's assets, because in accordance to agreements with The Fund the Group is able to use accumulated contributions for reducing of future contributions or recovery financing other plans or transfer to other fund on own initiative.

	31 December 2014	31 December 2013
Defined benefit liability	(632,287)	(581,614)
Fair value of assets	274,373	249,075
Net	(357,914)	(332,539)

Movements in net defined benefit liability are as follows:

	For the year ended 31 December 2014		For the year ended 31 December 2013	
	Post employment benefits	Other long- term employee benefits	Post employment benefits	Other long- term employee benefits
Benefit liability as at 1 January	535,264	46,350	445,661	26,297
Current service cost	37,324	5,453	31,122	3,293
Past service cost and curtailments	1,479	535	4,286	991
Interest expenses	39,611	2,757	30,742	1,359
<i>Remeasurement loss/(gain) arising from:</i>				
- changes in demographic assumptions	95,726	1,027	65,808	5,611
- changes in financial assumptions	(82,148)	(8,324)	(36,706)	(3,085)
- experience adjustments	(24,696)	33,953	23,200	23,324
Benefits paid	(40,130)	(11,894)	(28,849)	(11,440)
	562,430	69,857	535,264	46,350

Expenses recognized in profit or loss for the period are as follows:

	For the year ended	
	31 December 2014	31 December 2013
Service cost	44,791	39,692
Remeasurment of the defined long-term benefit liability	26,656	25,850
Interest expenses	42,368	32,101
Total	113,815	97,643

(Income)/expenses recognized in other comprehensive income for the period are as follows:

	For the year ended	
	31 December 2014	31 December 2013
Loss on changes in demographic assumptions	95,726	65,808
Gain on changes in financial assumptions	(82,148)	(36,706)
(Gain)/loss on experience adjustments	(24,696)	23,200
Total (income)/expenses recognized in other comprehensive income	(11,118)	52,302

Movements in remeasurement recognized in other comprehensive income for the period are as follows:

	2014	2013
Remeasurement as at 1 January	153,406	101,104
Changes in remeasurement	(11,118)	52,302
As at 31 December	142,288	153,406

Principal actuarial assumptions are as follows:

Financial assumptions

	31 December 2014	31 December 2013
Discount rate	12.00%	8.00%
Potential increase in salary and wages	7.00%	5.00%
Inflation rate	7.00%	5.00%

Financial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. As at 31 December 2014 the average period over which the Group obligations are to be settled is:

- for defined benefit plans including non-state pension provision of employees – 8.1 years;
- other long-term employee benefits – 9.7 years.

Assumptions regarding future mortality have been based on published statistics and mortality tables. The mortality table of the Russian population for 2011 adjusted according to the statistic data of the Group in respect of employees, male and female, on 70% and 40%, respectively; in respect of pensioners, male and female, on 30% and 5%, respectively.

Demographic assumptions

	31 December 2014	31 December 2013
Expected retirement age (years)		
- males	60	62
- females	55	59
Average employee turnover	9.00%	9.50%

The sensitivity of the defined benefit liability to changes in the weighted principal assumptions is presented below:

	Changes in assumptions	Effects on liability
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 4.46%
Potential increase in salary and wages	Increase/decrease by 0.5%	Increase/decrease by 0.35%
Potential increase in pensions (inflation)	Increase/decrease by 0.5%	Increase/decrease by 4.31%
Employee turnover level	Increase/decrease by 10%	Decrease/increase by 0.85%
Mortality level	Increase/decrease by 10%	Decrease/increase by 1.88%

The above sensitivity analysis was based on the method of each actuarial assumption changes within other actuarial assumptions remaining constant. The valuation method similar to the estimation measurement method of the present value of liabilities (projected unit credit method) was applied to the key actuarial assumptions used in the sensitivity calculation of the present value of liabilities, recognized in the Consolidated Statement of Financial Position.

For 2015 the expected payment under defined long-term benefit plans is amounted to RUB 48,607 thousand including:

- under defined benefit plans, including non-state pension provision of employees in amount of RUB 37,940 thousand;
- under other long-term employee benefits in amount of RUB 10,667 thousand.

Note 19. Trade and other payables

	31 December 2014	31 December 2013 (restated)	1 January 2013 (restated)
Non-current accounts payable			
Trade payables	476,365	306,368	268,038
Total	476,365	306,368	268,038
Current accounts payable			
Trade payables	11,854,303	8,776,541	7,122,262
Other payables and accrued expenses	1,188,359	1,040,134	1,962,179
Payables to employees	606,743	521,144	452,930
Dividends payable	3,790	3,362	1,491
Advances from customers	258,989	392,287	404,644
Total	13,912,184	10,733,468	9,943,506

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 28.

Note 20. Other taxes payable

	31 December 2014	31 December 2013 (restated)
Value added tax payable	196,965	29,407
Payments to social funds	335,640	105,852
Property tax	36,807	29,250
Other taxes	136,000	47,235
Total	705,412	211,744

Note 21. Provisions

	2014	2013
Balance as at 1 January	428,656	114,760
Provisions raised during the period	1,864,358	427,094
Provisions used during the period	(185,426)	(69,711)
Provisions decrease due to changes in accounting approaches during the period	(75,782)	(43,487)
Balance as at 31 December	2,031,806	428,656

Provisions relate to legal proceedings and unsettled legal claims against the Group.

An increase in the amount of provisions is related on decisions issued by tax authorities against OJSC Dagenergoset for the taxes unpaid upon the results of field tax audit and the results of VAT declarations desk tax audit in 2014. As at 31 December the amount of RUB 1,889,105 thousand was due to OJSC Dagenergoset (as at 31 December 2013 – RUB 282,319 thousand).

Note 22. Revenue

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Electricity transmission	14,177,236	13,228,411
Connection services	448,106	1,195,817
Rental income	15,450	42,198
Other revenue	122,460	118,275
Total	14,763,252	14,584,701

Other revenue is comprised of installation, repair and maintenance services, transportation services and other sales.

Note 23. Operating expenses

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Personnel costs (Note 25)	5,234,043	4,849,479
Purchased electricity for compensation of technological losses	4,252,542	3,362,684
Impairment loss on property, plant and equipment	3,074,103	–
Allowance for impairment of trade and other receivables	2,774,027	1,558,271
Provisions	1,788,576	383,607
Depreciation and amortization	1,558,011	1,374,767
Electricity transmission	1,308,458	1,104,965
Raw materials and supplies	851,359	856,819
Gains/losses of previous years	565,962	110,601
Repairs, maintenance and installation services	452,212	383,689
Rent	431,063	390,152
Taxes other than income tax	167,458	164,609
Other works and production services	125,129	88,309
Security services	113,299	233,404
Electricity and heat power for own needs	105,028	193,619
Management services	81,415	116,844
Business trip expenses	68,319	74,880
Telecommunication and information services	40,229	37,757
Consulting, legal and audit services	28,557	28,238
Social expenditures and charity expenses	21,551	36,305
Transportation	4,540	25,962
Technological connection services	29	16
Other expenses	282,565	241,056
Total	23,328,475	15,616,033

Note 24. Other operating income

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Gain on disposal of property, plant and equipment	1,782	12,084
Fines and penalties	50,773	26,509
Non-contractual electricity consumption	24,481	20,941
Insurance repayments	10,508	3,126
Other income	2,922	2,923
Total	90,466	65,583

Note 25. Personnel costs

	Year ended 31 December 2014	Year ended 31 December 2013
Wages and salaries	3,874,764	3,558,665
Payroll taxes	1,144,864	1,033,598
Expenses in respect of defined benefit plan (Note 18)	38,803	35,408
Expenses in respect of other long-term employee benefits (Note 18)	5,988	4,284
Remeasurement of net defined liabilities on other long-term employee benefits, net of income tax (Note 18)	26,656	25,850
Other personnel costs	142,968	191,674
Total	5,234,043	4,849,479

Note 26. Finance income and costs

	Year ended 31 December 2014	Year ended 31 December 2013
Finance income		
Interest income on current accounts and loans issued	121,740	62,175
Discounting of financial instruments	16,937	18,123
Interest income on assets related to employee benefit obligations	15,713	938
Gain on disposal of financial assets	–	36,681
Other finance income	–	1
Total	154,390	117,918
Finance costs		
Interest expenses on financial liabilities measured at amortised cost	156,885	7,284
Unwinding of discount of financial instruments	40,566	38,537
Interest expense on defined post-employment benefits (Note 18)	39,611	30,742
Interest expense on defined other long-term benefits (Note 18)	2,757	1,359
Interest expense on finance lease	3,805	257
Other interest expenses	110	83
Total	243,734	78,262

Note 27. Income tax expense

	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Current tax expenses		
Current income tax charge	(262,134)	(703,082)
Over provided in prior years	(192,504)	265,587
	(454,638)	(437,495)
Deferred tax income		
Deferred income tax charge	632,711	22 330
Total income/(expences) of income tax	178,073	(415 165)

The Group's applicable tax rate in 2014 and 2013 is the income tax rate of 20% for Russian companies. This rate has been used in the calculation of deferred tax assets and liabilities.

As at 2014 the Group accrued additional income tax fines and penalties in the amount of RUB 210,278 thousand as a result of tax field audit in OJSC Dagernergoset for 2010-2012 years.

In 2013 the Group recalculated income tax for 2012-2011 related to the deductibility for tax purposes of certain amounts which were previously capitalized in the tax value of property, plant and equipment.

As a result, income tax overprovided in prior periods, in accordance with the adjusted tax declarations submitted to the tax authorities in February 2014, amounted to RUB 263,336 thousand.

Reconciliation of effective tax rate:

	Year ended 31 December 2014	%	Year ended 31 December 2013 (restated)	%
Loss before income tax	(8,564,101)	100	(926,093)	100
Income tax at applicable tax rate	1,712,820	(20)	185,219	(20)
Tax effect of items which are not deductible or taxable for taxation purposes	366,951	(4)	(97,033)	10
Over provided in prior years	(192,504)	2	265,587	(29)
Change in tax base of property, plant and equipment	—	—	(263,336)	28
Unrecognized deferred tax assets	(1,709,194)	20	(505,602)	55
Total	178,073	(2)	(415,165)	45

Note 28. Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's principal objective when managing capital risk is to sustain its creditworthiness and a normal level of capital adequacy for doing business as a going concern, in order to ensure returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of borrowed capital.

The Group's risk management policies deal with identifying and analyzing the risks faced by the Group, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its internal policies, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

The Group's Audit Committee oversees how management monitors compliance with the Group's internal control procedures.

(b) Fair value hierarchy

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

The different levels of analyzing of financial instruments carried at fair value have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at 31 December 2014 the Group holds investments in equity shares of RUB 97 thousand classified as available for sale measured at fair value and belong to Level 1 in the fair value hierarchy (as at 31 December 2013: RUB 107 thousand). Valuation of available-for sale investments is made on a recurring basis using quoted market prices.

The fair value of long-term bank loans and borrowings in the amount of RUB 4,783,347 thousand (Note 28 (e) below) was calculated on the base of unobservable market data (Level 3) using rates on loans which the Group received next to the reporting date.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

To manage the credit risk, the Group attempts, to the extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is stipulated by contract and depends on the amount of capacity to be connected. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables that relate to individually significant exposures.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2014	31 December 2013 (restated)
Trade and other receivables (<i>net of allowance for impairment</i>)	2,837,888	2,679,023
Cash and cash equivalents	1,858,201	1,975,262
Loans issued	289,501	342,982
Total	4,985,590	4,997,267

The Group's ten most significant debtors account for RUB 2,544,160 thousand of the trade receivables carrying amount at 31 December 2014 (as at 31 December 2013: RUB 732,989 thousand).

The maximum exposure to credit risk for trade receivables at the reporting date by type was:

	31 December 2014	31 December 2013 (restated)
Electricity transmission	9,094,134	6,061,672
Connection services	9,356	64,985
Other sales	951,692	952,748
<i>Less: Allowance for impairment of accounts receivable</i>	<i>(7,264,666)</i>	<i>(4,440,545)</i>
Total	2,790,516	2,638,860

Impairment losses

The aging of receivables at the reporting date was:

	31 December 2014		31 December 2013	
	Gross	Impairment	Gross	Impairment
Not past due	2,304,385	(199,620)	1,352,944	(11,246)
Past due less than 3 months	1,192,870	(463,930)	1,366,821	(32,915)
Past due more than 3 months and less than 6 months	451,687	(448,108)	716,378	(714,152)
Past due more than 6 months and less than 1 year	1,273,482	(1,273,274)	990,006	(988,885)
Past due more than 1 year	4,925,987	(4,925,591)	2,804,589	(2,804,517)
Total	10,148,411	(7,310,523)	7,230,738	(4,551,715)

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2014	2013
Balance as at 1 January	(4,551,715)	(3,117,650)
Increase during the period	(2,904,601)	(1,693,473)
Amounts written off against trade and other receivables	15,219	124,206
Decrease due to changes in accounting approaches	130,574	135,202
Balance as at 31 December	(7,310,523)	(4,551,715)

The allowance accounts in respect of trade and other receivables are used to record impairment losses, unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable and written off against the financial asset directly.

(d) Offsetting of financial assets and financial liabilities

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events. In particular, in accordance with the Russian civil law an obligation can be settled by offsetting against a similar claim if it is due, has no maturity or is payable on demand.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	31 December 2014		31 December 2013	
	Trade and other		Trade and other	
	accounts receivable	accounts payable	accounts receivable	accounts payable
Gross amounts	20,959	9,931	605,301	489,926
Allowance for impairment of accounts receivable	(4,842)	—	—	—
<i>Amounts offset in accordance with IAS 32 offsetting criteria</i>	2,843	2,843	438,620	438,620
Net amounts presented in the statement of financial position:	13,274	7,088	166,681	51,306
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria	7,088	7,088	51,306	51,306
Net amount	6,186	—	115,375	—

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors the risk of cash shortfalls by means of current liquidity planning. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is used to analyze payment dates associated with financial assets, and also to forecast cash flows from operating activities.

The contractual maturities of financial liabilities presented including estimated interest payments and excluding the impact of netting agreements:

31 December 2014

	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Loans and borrowings	5,571,553	6,557,034	550,061	4,263,354	447,105	1,296,514	—	—
Promissory notes	1,992,240	1,992,240	1,992,240	—	—	—	—	—
Finance lease liability	14,062	18,026	9,000	9,026	—	—	—	—
Trade and other payables	12,735,498	13,335,731	12,259,133	—	—	—	—	1,076,598
Total	20,313,353	21,903,031	14,810,434	4,272,380	447,105	1,296,514	—	1,076,598

The fair value of loans and borrowings in the table above is RUB 4,783,347 thousand as at 31 December 2014:

31 December 2013

	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Loans and borrowings	4,582,066	5,649,430	447,763	398,914	4,110,515	48,832	643,406	—
Promissory notes	1,992,240	1,992,240	1,992,240	—	—	—	—	—
Trade and other payables	9,339,086	10,109,316	9,032,718	—	—	—	—	1,076,598
Total	15,913,392	17,750,986	11,472,721	398,914	4,110,515	48,832	643,406	1,076,598

Accounts receivable and accounts payable related to the accounting approach to settlements with OJSC FGC UES in the amount of RUB 787,319 thousand (Note 2 (f)) are not included in the amounts represented in credit risk and liquidity risk. The Company does not expect any cash inflows and outflows related to these amounts.

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates. The Group operates within the Russian Federation. The major part of the Group's purchases and sales is denominated in RUB. Therefore, the Group's exposure to foreign exchange risk is insignificant.

(ii) Interest rate risk

The Group obtains borrowings mostly at fixed rate and is subject to the limited risk of interest rate changes.

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, when making a decision about new loans and borrowings management gives priority to loans and borrowings with fixed rates. As a rule, loan agreements entered into by the Group do not contain any charges for early repayment of loans on borrower's initiative which facilitates additional flexibility in relation to optimizing interest rates in the current economic environment.

The majority of interest rates on long term and short term loans and borrowings are fixed, these are disclosed in Note 17. The Group has no significant interest-bearing assets. Currently the Group does not operate a formal management program focusing on the unpredictability of financial markets or seeking to minimise potential adverse effects on the financial performance of the Group.

Fair values sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(g) Fair values

Management believes that at the reporting date the fair value of the Group's financial assets and liabilities approximates their carrying value.

(h) Capital management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Group defines as net profit after tax divided by total shareholders' equity.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are subject to external capital requirements that require that their net assets as determined in accordance with Russian Accounting Principles must exceed their charter capital at all times.

Note 29. Operating leases

The Group leases a number of land plots owned by local governments under operating leases. In addition, the Group leases non-residential premises and vehicles.

Land leases were entered in prior periods and represented land plots on which power lines, equipment for electricity transformation and other assets are located. The land leases typically run for an initial period of 1 to 49 years, with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

The land title does not pass and the landlord retains control over land usage. The Group determined that substantially all the risks and rewards of the land plots are with the landlord, therefore the leases are considered as operating leases.

Non-cancellable operating lease rentals are payable as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Less than one year	159,514	311,243
Between one and five years	382,213	392,155
More than five years	560,819	475,616
Total	1,102,546	1,179,014

During the year RUB 431,063 thousand was recognised in the statement of profit or loss and other comprehensive income in respect of operating leases (2013 - RUB 403,293 thousand).

Note 30. Commitments

As at 31 December 2014 the Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 2,715,006 thousand (as at 31 December 2013: RUB 2,468,273 thousand).

Note 31. Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the financial position of the Group.

(d) Environmental matters

The Group and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. The Group's management periodically evaluates its obligations under environmental regulations.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

(e) Disagreements with counterparties

In January 2014 OJSC DPSC filed a court claim against OJSC Dagernergoset due to the compensation for electricity losses payables of RUB 6,321,847 thousand.

On 4 December 2014 OJSC DPSC claimed an increase up to RUB 7,769,114 thousand.

On 25 June 2014 OJSC Dagernergoset filed a counter-claim against OJSC DPSC due to the electricity transmission services payables of RUB 1,032,907 thousand.

August 6, 2014 OJSC Dagernergoset the counter-claim to the OJSC DPSC definition of the arbitral tribunal accepted specification in terms of reducing the amount of the claim to RUB 734,967 thousand.

Also 4 December 2014 of OJSC DPSC filed another counter-claim to recover the debt for electricity purchased in order to compensate for losses in the amount of RUB 308,739 thousand for January 2012.

On 26 January 2015 OJSC Dagernergoset filed a counter-claim against OJSC DPSC due to the electricity transmission services payables of RUB 20,048 thousand.

As at 31 December 2014 OJSC Dagernergoset reported accounts payable of RUB 6,476,240 thousand and RUB 6,142,287 thousand of which were related to this claim (as at 31 December 2013: RUB 5,593,514 thousands and RUB 5,371,438 thousand, respectively).

The Group's management assumes that probability assumption of court ruling in respect of the disagreement amounted is medium.

As OJSC DPSC present no supporting documents for the revised calculations the Group has no basis to reconsider these changes and to report them.

Note 32. Related parties

(a) Control relationships

As at 31 December 2014 and 31 December 2013 OJSC Russian Grids was the Parent company of the Company. The party with ultimate control over the Company is the Russian Government, which holds the majority of the voting rights in OJSC Russian Grids.

The majority of the Group's related party transactions are with the subsidiaries of OJSC Russian Grids and other state controlled entities.

(b) Transactions with the Parent and entities under control of the Parent and balances on settlements

Transactions with the Parent and its subsidiaries were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Revenue:		
<i>Transactions with the entities under control of the Parent</i>		
Electricity transmission	4,930,869	4,121,999
Connection services	1	53,774
Rental income	7,126	6,850
Other revenue	81,757	67,765
Interest income on loans issued	35,382	4,606
Expenses:		
<i>Transactions with the Parent</i>		
Management services	76,525	76,525
Services for technical supervision	9,503	—
Rent	—	137
<i>Transactions with the entities under control of the Parent</i>		
Electricity transmission	1,230,632	618,753
Purchased electricity for compensation of technological losses	2,553,562	1,868,457
Electricity and heat power for own needs	68,212	62,625
Other expenses	42,090	10,509
Interest expenses	—	206

All outstanding balances with related parties are to be settled in cash within a year of the statement of financial position date. None of the balances are secured.

Balances on settlements with the Parent and its subsidiaries are presented below:

	31 December 2014	31 December 2013
Trade and other receivables	3,499,529	1,176,214
<i>Allowance for impairment of trade and other receivables</i>	(1,482,993)	(389,589)
Loans issued	289,501	342,982
Promissory notes	1,992,763	2,022,240
Advances received	1,982	46,496
Trade and other payables	9,031,028	8,169,088
<i>Discounting of trade accounts payable</i>	(734,565)	(770,230)
Provisions	269,097	269,886

Related party revenue for electricity transmission and connection services is based on the tariffs determined by the Government; other related party transmissions are based on normal market prices.

(c) Transactions with other state controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control. Prices for electricity and heat are based on tariffs set by the Federal Service on Tariffs and the regional services on tariffs. Bank loans are provided on the basis of market rates.

Revenues from state-controlled entities for the year ended 31 December 2014 constitute 3% (2013 – 17%), including 3% (2013 – 17%) of electricity transmission revenues.

The Company disclosed operations with OJSC FGC UES as operations with subsidiaries and associates of the Parent company after 14 June 2013. At this date, the Russian Federation transferred its share of OJSC FGC UES (79.64%) to OJSC Russian Grids. Thus, share of operations with state controlled entities decreased.

Electricity transmission costs for state-controlled entities for the year ended 31 December 2014 constitute 3% (2013 – 12%) of total transmission costs.

(d) Transactions with management and close family members

The Group determines the members of the Board of Directors, the Management Board and senior managers of the Company as key management personnel.

There are no transactions or balances with key management and close family members except their remuneration in the form of salary and bonuses.

Salary and bonuses which are paid to members of Board of Directors and Key Management Personnel for performing their job responsibilities consist of wages, non-cash benefits, bonuses calculated on the basis of the results for the period presented in the Company's obligatory financial statements prepared in accordance with Russian accounting principles and payments to social funds.

There are no transactions or balances with key management and close family members except the following:

Key management received the following remuneration during the year, which is included in personnel costs:

	Year ended 31 December 2014	Year ended 31 December 2013
Salaries and bonuses	66,098	169,538
Personnel (income)/costs in respect of post-employment defined benefit plan	(323)	—
Interest costs in respect of other long-term employee benefits	313	209
Remeasurment of net defined liabilities on other long-term employee benefits recognised in other comprehensive income	(670)	752

The amounts of key management personnel remuneration disclosed in the table are recognized as expenses related to key management personnel for the current year and presented in personnel costs (Note 25).

As at 31 December 2014 defined benefit liabilities on post employment benefits and on other long-term employee benefits plans and related to key management personnel included in employee benefits in the consolidated statement of financial position of the Group in the amount of RUB 3,234 thousands (31 December 2013: RUB 3,914 thousand).

Note 33. Events after the reporting period

Management believes there are no other facts of economic activities which have or may have an impact on the financial condition, cash flows or results of operations of the Group and that took place in the period between the reporting date and the date of signing the financial statements for 2014.