Independent auditor's report
on the consolidated financial statements
of Public Joint-Stock Company
Interregional Distribution Grid Company of Volga and its subsidiaries
for 2018

March 2019

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of Public-Joint Stock Company
Interregional Distribution Grid Company of Volga
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Independent auditor’s report

To: the Shareholders of Public Joint-Stock Company
Interregional Distribution Grid Company of Volga

Opinion

We have audited the consolidated financial statements of PJSC "Interregional Distribution Grid Company of Volga" and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as of 31 December 2018, 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 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
Recognition and measurement of revenue from electricity transmission services	
Recognition and measurement of revenue from electricity transmission services were matters of most significance in our audit due to certain imperfection of mechanisms of operation of electricity market and it leads to disagreements between electric grid companies, energy supply companies and other companies in respect of the volume and cost of electricity transmitted. The amount of the revenue contested by the counterparties is significant to the financial statements of the Group. The assessment by the Group's management of favorable outcome of the dispute resolution is, to a large extent, subjective. Revenue is recognized when, subject to the assumptions, disputes are resolved in favor of the Group. Information about the revenue from electricity transmission services is disclosed in paragraphs 7, 30 of the Notes to the consolidated financial statements.	We reviewed the accounting policies applied in recognition of revenue from electricity transmission services, evaluated the internal control over revenue recognition, reviewed the accuracy of determined revenue amounts based on concluded contracts for electricity transmission, on a sample basis obtained confirmations of accounts receivable balances from the counterparties, reviewed and evaluated outcomes of litigations in respect of disputed amounts for the provided services, if any, and existing procedures for confirming the volume of electricity transmitted.
Allowance for impairment of trade receivables	
Creation of allowance for impairment of trade receivables is one of the most significant matters for our audit due to the significant balances of trade receivables as of December 31, 2018, as well as due to the fact that management’s assessment of the possibility of recovering these debts based on assumptions, in particular, on the forecast of the purchasing power of the Group's customers. Information about the allowance for impairment of trade receivables is disclosed in paragraph 27 of the Notes to the consolidated financial statements.	We have performed procedures of evaluation of the adequacy of the Group's accounting policy on reviewing trade receivable and determining if trade receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Group, including review of trade receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency. We performed audit procedures in respect of information used by the Group to determine the impairment of trade receivable, trade receivable ageing structure, tested the accuracy of accrued trade receivables impairment allowance based on the estimates documented by the management.
Recognition, measurement and disclosure of provisions and contingent liabilities	
Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of most significance in our audit because they require a lot of management judgments in respect of significant portion of balance of payments with counterparties in dispute in the course of litigations and pre-litigation settlements. Information about the provisions and contingent liabilities is disclosed in paragraphs 26,30 of the Notes to the	The audit procedures, among others, included review of court rulings made by courts of different levels, review of adequacy of management judgments confirming the assessment of possibility of outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law, verification of disclosure in the notes to the consolidated financial statements of information on provisions and contingent liabilities.

Key audit matter	How the matter was addressed in the audit
consolidated financial statements.	
Impairment of non-current assets	
As the indicators of impairment of non-current assets were revealed, the Group performed an impairment test as at 31 December 2018. Therefore, the value in use for property, plant and equipment which is one of the core non-current assets as at 31 December 2018 was determined using projected cash flows method. The matter of testing PP&Es for impairment was one of most significance for our audit, since the balance thereof is a significant part of the total assets of the Group at the reporting date, and also since the process of management's assessment of value is complex, largely subjective and based on the assumptions, in particular, on forecasting of electricity transmission volumes, tariffs, as well as operating expenses and capital costs, which depend on the expected future market or economic environment in the Russian Federation. Information about the analysis of non-current assets for impairment is disclosed by the Group in paragraph 13 of the Notes to the consolidated financial statements.	As part of our audit procedures, we have, among other things, evaluated the assumptions and methods applied by the Group, in particular those related to the projected revenue from electricity transmission, tariff solutions, operating expenses and capital costs, long-term growth rates of tariffs and discount rates. We have tested incoming data stored in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test for property, plant and equipment. We have engaged experts to evaluate the model used to determine the recoverable amount in the impairment test for property, plant and equipment. We also analyzed the sensitivity of the model to changes in the key indicators of the assessment and the information disclosed by the Group about the assumptions on which the test results for impairment are most dependent.
Recognition of pension and other employee benefit liabilities	
The Group has defined benefit pension plans. The assessment of pension and other employee liabilities was a key audit matter, as the balance sheet value of defined benefit pension plans and the discounted value of the relevant liabilities were determined by management based on actuarial valuations, including a number of assumptions, and the amount of liabilities under the defined benefit plans at the reporting date is highly sensitive to changes in these assumptions. Such assumptions include, among other things, the mortality rate during the period of work and after it, staff turnover, the discount rate, the future level of salary and remunerations paid, as well as the expected return on plan assets. Information about pension obligations is disclosed in paragraph 24 of the Notes to the consolidated financial statements.	As part of the audit procedures, we have also analyzed the assumptions used, tested, on a sample basis, data on the Group's employees used in actuarial calculations, as well as performed analytical procedures regarding the carrying amount of obligations under defined benefit plans and changes therein for the period. We have engaged our actuaries to assist us in performing audit procedures in this field. We also reviewed the relevant disclosures in the consolidated financial statements.

Other Information

On March 14, 2018, the audit of the consolidated financial statements of the Public Joint-Stock Company Interregional Distribution Grid Company of Volga for 2017 was conducted by another auditor, who expressed an unmodified opinion on these statements.

Other information included in the annual report

The other information comprises the information included in the annual report of PJSC IDGC of Volga for 2018, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The annual report of PJSC IDGC of Volga for 2018 is expected to be made available to us after the date of this auditor's report.

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

As we conduct the audit of the consolidated financial statements, our liability is to review the other information above upon its receipt and to consider whether there are significant discrepancies between the other information and the consolidated financial statements or our knowledge gained from audit, and whether the other information contains other material misstatements.

Responsibilities of Management and the Audit Committee of the Board of Directors for the Consolidated Financial Statements

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

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

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with the Audit Committee of the Board of Directors all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguard measures.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we conclude that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Leader on the audit resulting in this independent auditor's report - T.L. Okolotina.

T.L. Okolotina
Partner
Ernst & Young LLC

March 18, 2019.

Details of the audited entity

Name: Public Joint-Stock Company Interregional Distribution Grid Company of Volga
Record made in the the Unified State Register of Legal Entities on June 29, 2007, State Registration Number 1076450006280.
Address: 42/44, Pervomayskaya Street, Saratov, 410031, Russian Federation.

Details of the auditor

Name: Ernst & Young LLC
Record made in the the Unified State Register of Legal Entities on December 5, 2002, State Registration Number 1027739707203.
Address: 77, Sadovnicheskaya Nab, bld. 1, Moscow, 115035, Russian Federation
Ernst & Young LLC is a member of the Self-Regulatory Organization "Russian Union of Auditors" (Association) (SRO RUA). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations under primary state registration number 11603050648.

(in thousands of Russian Roubles, unless otherwise stated)

		Year ended 31 December	
	Note	**2018**	**2017**
Revenue	7	63,686,149	59,250,059
Operating expenses	9	(57,603,299)	(52,509,487)
Other income, net	8	1,101,046	831,591
Results from operating activities		**7,183,896**	**7,572,163**
Finance income	11	351,290	220,943
Finance expenses	11	(242,663)	(603,020)
Total finance income/(expenses)		**108,627**	**(382,077)**
Income before tax		**7,292,523**	**7,190,086**
Income tax expense	12	(1,582,323)	(1,600,437)
Profit for the period		**5,710,200**	**5,589,649**
Other comprehensive income			
Items that will never be reclassified subsequently to profit or loss			
Changes in the fair value of an equity investment carried at fair value through other comprehensive income		(9)	–
Remeasurements of defined benefit liability	24	52,702	(188,069)
Income tax		(49,765)	71,481
Total items that will never be reclassified subsequently to profit or loss		**2,928**	**(116,588)**
Other comprehensive income for the period, net of income tax		**2,928**	**(116,588)**
Total comprehensive income for the period		**5,713,128**	**5,473,061**
Earnings per share			
Basic and diluted earnings per ordinary share (in Russian Rubles)	21	0.0303	0.0308

These consolidated financial statements were approved by management on 18 March 2019 and were signed on its behalf of:

Deputy General Director
for Economy and Finance
by the power of attorney of 6th August, 2018 No. Д/18-315

Chief Accountant –
Head of Department of accounting and
tax accounting and reporting

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Irina Yuryevna Puchkova

____
Irina Alekseevna Tamlenova

(in thousands of Russian Roubles, unless otherwise stated)

	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	41,068,666	38,451,916
Intangible assets	14	250,757	178,793
Trade and other receivables	18	540,076	156,908
Assets related to employee benefit plans	24	476,895	509,234
Financial investments	15	104	113
Total non-current assets		**42,336,498**	**39,296,964**
Current assets			
Inventories	17	1,645,242	1,569,808
Income tax prepayment		199,686	1,189
Trade and other receivables	18	7,433,027	7,654,759
Cash and cash equivalents	19	1,951,998	3,847,013
Total current assets		**11,229,953**	**13,072,769**
Total assets		**53,566,451**	**52,369,733**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	18,830,796	18,830,796
Other reserves		(885,180)	(888,108)
Retained earnings		20,813,096	17,897,546
Total equity		**38,758,712**	**35,840,234**
Non-current liabilities			
Loans and borrowings	22	3,370,000	4,370,000
Trade and other payables	25	465,466	799,531
Employee benefit liabilities	24	1,585,156	1,681,087
Deferred tax liabilities	16	2,711,186	2,669,175
Total non-current liabilities		**8,131,808**	**9,519,793**
Current liabilities			
Loans and borrowings	22	12,353	5,855
Trade and other payables	25	6,637,449	6,760,396
Provisions	26	26,113	6,781
Current income tax payable		16	236,674
Total current liabilities		**6,675,931**	**7,009,706**
Total liabilities		**14,807,739**	**16,529,499**
Total equity and liabilities		**53,566,451**	**52,369,733**

The accompanying notes are an integral part of these Consolidated Financial Statements.

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**5,710,200**	**5,589,649**
Adjustments for:			
Depreciation of PPE and amortisation of intangible assets	9	4,645,911	4,424,165
Finance expenses	11	242,663	603,020
Finance income	11	(351,290)	(220,943)
Gain on disposal of property, plant and equipment		(4,478)	(4,581)
Impairment loss	9	48,956	344,336
Write-off of bad debts		1,970	435
Gain from property, plant and equipment received free of charge	8	(580,041)	(2,053)
Write-off of accounts payable		(5,587)	(16,793)
Other non-cash transactions		9	(33)
Income tax expense	12	1,582,323	1,600,437
Cash flows from operating activities		**11,290,636**	**12,317,639**
Change in financial assets related to employee benefit plans	24	32,339	22,702
Change in employee benefit obligations	24	(155,298)	(50,227)
Cash flows from operating activities before changes in working capital and provisions		**11,167,677**	**12,290,114**
Changes in working capital			
Change in trade and other receivables		(21,464)	(269,888)
Change in inventories		(28,640)	(84,145)
Change in trade and other payables		(593,500)	153,587
Change in provisions		19,332	(14,610)
Other PPE		(9)	–
Cash flows from operations before income tax and interest paid		**10,543,396**	**12,075,058**
Income tax paid		(2,025,232)	(1,174,837)
Interest paid		(223,165)	(582,949)
Net cash from operating activities		**8,294,999**	**10,317,272**

The accompanying notes are an integral part of these Consolidated Financial Statements.

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(6,592,355)	(3,870,010)
Proceeds from sale of property, plant and equipment and intangible assets		17,849	2,255
Interest received		158,846	189,585
Dividends received		2	–
Net cash used in investing activities		**(6,415,658)**	**(3,678,170)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing funds		8,540,000	9,270,000
Repayment of borrowings		(9,540,000)	(13,280,000)
Proceeds from shares issued		–	250,416
Dividends paid	20	(2,774,356)	(1,298,422)
Net cash used in financing activities		**(3,774,356)**	**(5,058,006)**
Net (decrease)/increase in cash and cash equivalents		**(1,895,015)**	**1,581,096**
Cash and cash equivalents at the beginning of the period	19	**3,847,013**	**2,265,917**
Cash and cash equivalents at the end of the period	19	**1,951,998**	**3,847,013**

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	**Provisions**	**Retained earnings**	**Total**
Balance as at 31 December 2017	**18,830,796**	**(888,108)**	**17,897,546**	**35,840,234**
Profit for the period	–	–	5,710,200	5,710,200
Other comprehensive income	–	52,693	–	52,693
Income tax on other comprehensive income	–	(49,765)	–	(49,765)
Total comprehensive income for the period	**–**	**2,928**	**5,710,200**	**5,713,128**
Transactions with the Company's owners				
Contributions and payments				
Dividends to shareholders	–	–	(2,794,825)	(2,794,825)
Unclaimed dividends payable write-off (previously declared)	–	–	175	175
Total contributions and payments	**–**	**–**	**(2,794,650)**	**(2,794,650)**
Balance as at 31 December 2018	**18,830,796**	**(885,180)**	**20,813,096**	**38,758,712**

The accompanying notes are an integral part of these Consolidated Financial Statements.

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	**Reserve for issue of shares**	**Provisions**	**Retained earnings**	**Total**
Balance as at 1 January 2017	**18,109,460**	**470,920**	**(771,520)**	**13,616,531**	**31,425,391**
Profit for the period	–	–	–	5,589,649	5,589,649
Other comprehensive income	–	–	(188,069)	–	(188,069)
Income tax on other comprehensive income	–		71,481	–	71,481
Total comprehensive income for the period	**–**		**(116,588)**	**5,589,649**	**5,473,061**
Transactions with the Company's owners					
Contributions and payments					
Issue of shares (Note 20)	721,336	(470,920)	–	–	250,416
Dividends to shareholders	–	–	–	(1,308,811)	(1,308,811)
Unclaimed dividends payable write-off (previously declared)	–	–	–	177	177
Total contributions and payments	**721,336**	**(470,920)**	**–**	**(1,308,634)**	**(1,058,218)**
Balance as at 31 December 2017	**18,830,796**	**–**	**(888,108)**	**17,897,546**	**35,840,234**

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. Background

a) The Group and its operations

Public Joint-Stock Company "Interregional Distribution Grid Company Of Volga" (hereinafter, PJSC IDGC of Volga or the "Company") and its subsidiaries (hereinafter together referred to as the "Group") comprise joint stock companies established and registered in accordance with the Civil Code of the Russian Federation. The Company was set up on 29 June 2007 based on the Resolution of the sole founder (Order of OJSC "Russian Joint Stock Company "United Energy Systems of Russia" (hereinafter— "RAO UES") no. 191p of 22 June 2007) and pursuant to the decision of the Board of Directors of RAO "UES" on the participation in IDGC (minutes no. 250 of 27 April 2007).

The Company's registered office and location address is 42/44 Pervomayskaya Street, Saratov, Russian Federation, 410031.

The Group's principal activity of is the provision of services for the transmission and distribution of electricity and the provision of services for the technological connection of customers to the electricity grid.

The parent is PJSC Rosseti.

b) The Group's business environment

The Groups operates in the Russian Federation.

Russia continues economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy. The future economic development direction of the Russian Federation is largely dependent upon these reforms and also upon the effectiveness of economic, financial and monetary measures undertaken by the Government.

Sanctions imposed on Russia by some countries have an adverse impact on the Russian economy. Interest rates in rubles remain high. The totality of these factors led to a decrease in the availability of capital and an increase in its value, as well as increased uncertainty regarding further economic growth, which could adversely affect the financial position, performance and economic prospects of the Group. The Group management believes that it is taking appropriate measures to maintain the economic sustainability of the Group in the current environment.

These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management' s assessment.

c) Relations with the state

The Russian Government, through the Federal Agency for the Management of State Property, is the ultimate controlling party of the Company.

As at 31 December 2018, the Russian Government owned 88.04% in the share capital of the parent PJSC Rosseti, including 88.89% of the voting ordinary shares and 7.01% of the preference shares. As at 31 December 2017, the Russian Government owned 88.04% in the share capital of the parent PJSC Rosseti, including 88.89% of the voting ordinary shares and 7.01% of the preference shares.

The Russian Government directly affects the Group's operations through tariff regulation. In accordance with the Russian legislation, the Group's tariffs are regulated by executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs. Many consumers of the Group's services are entities under control of the state.

2. Basis of Preparation of Consolidated Financial Statements

d) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Each subsidiary of the Group maintains accounting records and prepares its financial statements in accordance with the Russian Accounting Standards (hereinafter referred to as "RAS") individually. The consolidated financial statements of the Group have been prepared on the basis of the RAS accounting records adjusted and reclassified for the purposes of fair presentation in accordance with IFRS.

e) Basis of measurement

These consolidated financial statements are prepared on the initial (historical) cost basis except for:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- Property, plant and equipment and construction-in-progress were revalued to determine their deemed cost as part of the adoption of IFRS as at 1 January 2006.

f) Functional and presentation currency

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

g) Use of estimates and professional judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make professional 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.

Management continuously reviews the estimates and assumptions made based on the experience gained and other factors that were used as the basis for determining the book value of assets and liabilities. Revisions to accounting estimates and assumptions are recognized in the period in which those were adopted, provided that the revision affects only that period, or are recognized in the period to which the revision relates, and in any future periods, where the revision affects both the current and the future periods.

2. Basis of Preparation of Consolidated Financial Statements (continued)

g) Use of estimates and professional judgments (continued)

Professional judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates and assumptions that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of property, plant and equipment

At each reporting date, the Group management assesses whether there are any indicators that property, plant and equipment may be impaired. Such indicators include changes in business plans, tariffs and other factors that may lead to unfavourable conditions for the Group's activities. When measuring the value in use the management assesses estimated cash flows from a cash-generating asset or a group of assets and chooses a justified discount rate to calculate the present value of cash flows. For more detail refer to note "Property, Plant and Equipment".

Impairment of accounts receivable

Impairment loss of accounts receivable is based on management assumptions of debt recovery made for each debtor individually. For the purpose of assessing credit losses, the Group consistently takes into account all reasonable and corroborated information about past events, current and forecasted events, which is available without undue effort and is relevant for the assessment of receivables. Historical information about losses is adjusted on the basis of current available information to record existent conditions that were not effective during the past periods of losses and excluding those conditions that are not active at the current moment.

Pension obligations

The costs of defined benefit pension plans and related expenditure are based on actuarial estimates. Actuarial estimates are made with help of assumptions on demographic and financial data. The estimates are subject to uncertainty due to the long-term nature of the programme.

Deferred tax assets recognition

At each reporting date, management assesses the deferred tax assets and determines the amount to be recognized to the extent in which it is likely to be used as tax allowances. When determining future taxable profit and related tax allowances management uses estimates and assumptions based on prior periods taxable profit and expectations related to the future profit that are reasonable under the circumstances.

h) Change in accounting policies

Since 1 January 2018, the Group has adopted the following new standards:

IFRS 15 Revenue from Contracts with Customers

The Group recognizes revenue when (or as) the obligation to perform is fulfilled by transferring the promised product or service (i.e., asset) to the customer. Revenues are measured at the transaction price or part thereof equal to the amount of compensation the right to which the Group expects to receive in exchange for transferring the promised assets to the customer, excluding amounts received from third parties (for example, net of recoverable taxes).

2. Basis of Preparation of Consolidated Financial Statements (continued)

h) Change in accounting policies (continued)

Trade receivables

Accounts receivable represent the Group's right to reimbursement, which is unconditional (that is, the occurrence of the moment when such reimbursement becomes payable is due only to the passage of time).

Contractual obligations

The contractual obligation is the obligation to transfer to the customer goods or services for which the Group received compensation (or compensation for which is payable) from the customer. If the customer pays compensation before the Group transfers the product or service to the customer, the contractual obligation is recognized at the time the payment is made or at the time the payment becomes payable (whichever is earlier). Contractual obligations are recognized as revenue when the Group fulfills its contractual obligations. The obligations of the Group Agreement are recorded in the "Advances received" line in long-term and short-term trade and other payables.

Electricity transmission and sale services

Revenue from the transmission and sale of electricity is recognized during the period (settlement month) and is estimated using the results method (cost of transferred volumes of electricity). Tariffs for electricity transmission services (in relation to all constituent entities of the Russian Federation) and electricity sales on a regulated market (in respect of constituent entities of the Russian Federation not incorporated into the price zones of the wholesale electricity market) are approved by the executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs (more - "regional regulators") within the limits of the minimum and (or) maximum levels approved by the Federal Antimonopoly Service.

Services for technological connection to electric grids

Revenue from technological connection to power grids is a non-refundable fee for connecting consumers to power grids and is recognized when the consumer is connected to the grid. The payment for technological connection on an individual project, standardized tariff rates, rates per unit of maximum capacity and formulas of payment for technological connection are approved by the regional energy commission (department of prices and tariffs of the relevant region) and do not depend on revenue from electricity transmission services. Payment for technological connection to the unified national (All-Russia) electric network is approved by the Federal Antimonopoly Service.

The group has applied the judgment that technological connection is a separate obligation to perform, which is recognized after the related services are provided. The technological connection agreement does not contain any further obligations after the provision of the connection service. According to current practice and laws regulating the electricity market, technological connection and transmission of electricity are the subject of separate negotiations with different consumers as different services with different commercial purposes without relation to pricing, intentions, recognition or types of services.

2. Basis of Preparation of Consolidated Financial Statements (continued)

h) Change in accounting policies (continued)

Other services

Revenue from the services for installation, repair and maintenance, as well as revenue from other sales is recognized at the time of receipt of control over the asset by the consumer.

In accordance with the transitional provisions of IFRS 15, the Group chose to apply the standard retrospectively, recognizing the total effect of the initial application as part of the opening retained earnings as at 1 January, 2018. The application of this standard did not have a significant impact on the consolidated interim condensed financial statements of the Group; accordingly, the balance of retained earnings as at 1 January, 2018 was not adjusted.

IFRS 9 Financial Instruments

The standard introduces new requirements for classifying and evaluating financial instruments, accounting for impairment and hedging. As the Group does not apply hedge accounting, the main changes in the standard that apply to the Group have affected its accounting policies for the classification of financial instruments and the impairment of financial assets.

In accordance with IFRS 9, financial assets should be classified into the following categories of measurement: subsequently measured at amortised cost, measured at fair value through profit or loss and measured at fair value through other comprehensive income. The classification depends on the business model for managing financial assets and contractual characteristics of cash flows.

Financial assets are classified at amortised cost if the following conditions are met: the asset is withheld within the framework of the business model, the purpose of which is to retain the assets to receive the cash flows stipulated in the contract, and the terms of the contract cause the cash flows to be received which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount.

Regarding impairment accounting, IFRS 9 replaces the "incurred loss" model used in IAS 39 *"Financial Instruments: recognition and measurement"* with a new "expected credit loss model" ("ECL model") designed to provide timeliness of recognition of expected credit losses. Allowance for expected credit losses is created for financial assets classified as measured at amortised cost.

In accordance with IFRS 9, impairment allowances are assessed either on the basis of a 12-month ECLs that are the result of possible defaults within 12 months after the reporting date, or ECLs for the entire life span that are the result of all possible cases of default expected financial instrument term. The allowance for impairment of trade receivables is estimated by the Group using a simplified approach in an amount equal to the ECL for the entire term. The allowances for impairment of other financial assets classified as measured at amortised cost are measured based on a 12-month ECL if there has not been a significant increase in credit risk since the recognition date. Otherwise, the allowance is calculated on the basis of the ECL for the entire lifetime.

In accordance with the transitional provisions of IFRS 9, the Group applied the new rules retrospectively, with the exception of instruments whose recognition has already been terminated as at the date of initial application, i.e. on 1 January 2018. The group also took advantage of the exemption provided by IFRS 9, which allows not to recalculate the previous presented periods due to the application of the new rules on classification and evaluation, but to recognize differences in the composition of the retained earnings as at 1 January 2018.

(in thousands of Russian Roubles, unless otherwise stated)

2. Basis of Preparation of Consolidated Financial Statements (continued)

h) Change in accounting policies (continued)

The initial application of this standard did not result in any significant changes in the valuation of financial instruments.

As at 1 January 2018, the date of initial application of IFRS 9 *"Financial Instruments"*, the Group assessed the business models used to manage financial assets and classified the financial instruments withheld by the relevant categories of IFRS 9. The main effects of the classification were as follows:

		Reclassification of financial assets as at 1January 2018			
	Balance as at 1 January 2018 in accordance with IAS 39	**Measured at fair value through profit or loss**	**Measured at fair value through other comprehensive income**	**Measured at amortised cost**	**Balance as at 1 January 2018 in accordance with IFRS 9**
Available-for-sale financial assets	113	–	(113)	–	–
Financial assets at fair value through other comprehensive income	–	–	113	–	113
Total	**113**	**–**	**–**	**–**	**113**

Below is the initial evaluation category according to IAS 39 and the new evaluation category according to IFRS 9:

	Evaluation category		**Carrying amount**		
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**	**Difference**
Non-current financial assets					
Financial investments	Available-for-sale assets	Financial assets at fair value through other comprehensive income	113	113	–
Trade and other receivables	Amortised cost	Amortised cost	24,553	24,553	–
Current assets					
Trade and other receivables	Amortised cost	Amortised cost	7,390,977	7,390,977	–
Cash and cash equivalents	Amortised cost	Amortised cost	3,847,013	3,847,013	–
Long-term and short-term financial obligations					
Loans and borrowings, accounts payable	Amortised cost	Amortised cost	9,122,556	9,122,556	–

2. Basis of Preparation of Consolidated Financial Statements (continued)

i) Changes in presentation

Reclassification of comparatives

Certain comparative amounts for the previous period have been reclassified to conform to the current year's presentation. All reclassifications are insignificant.

j) Adoption of new or revised standards or interpretations

Except for the changes in accounting policies described in section 2 (e), the following amendments and clarifications, which are effective from January 1, 2018, had no impact on these consolidated financial statements:

- Amendments to IFRS 2 *"Classification and Measurement of Share-based Payment Transactions"*;
- Amendments to IAS 40 *"Transfers of Investment Property"*;
- Explanation of IFRIC 22*"Foreign Currency Transactions and Advance Consideration"*;
- Amendments to IAS 28 *"Investments in associates and joint ventures"*;
- Amendments to IFRS 4 *"Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"*;
- Amendments to IFRS 1 *"The first application of international financial reporting standards"* .

The following new standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2019, and which the Group has not early adopted:

IFRS 16 "Leases"

IFRS 16 *"Leases"* was issued in January 2016 and it replaces IAS 17 *"Leases"*, Interpretation of IFRIC 4 "Determining whether an Arrangement Contains a Lease", Interpretation of SIC 15*"Operating Leases — Incentives"* and Interpretation of SIC 27 *"Evaluating the Substance of Transactions in the Legal Form of a Lease"*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees — leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Group intends to apply both exemptions.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Group will be required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

According to the transitional provisions of IFRS 16, the Group chose to apply the standard using a retrospective approach, with the total effect of the initial application of the standard recognized as at 1 January, 2019.

(in thousands of Russian Roubles, unless otherwise stated)

2. Basis of Preparation of Consolidated Financial Statements (continued)

j) Adoption of new or revised standards or interpretations (continued)

Including recognition of a lease liability in the valuation at the present value of the remaining lease payments using the rate of additional borrowings by the Group at the date of initial application and recognizing assets in the form of right of use at a value equal to the lease liability, adjustment to the amount of rental payments made or accrued in advance.

The group also plans to use permitted practical simplifications and not to apply the new standard to lease agreements expiring within twelve months from the date of transition.

The main objects of the Group's lease are electric grid facilities (power transmission lines, equipment for power transmission, etc.) and land plots. Land lease agreements were concluded in previous periods in respect of the plots on which their own power lines, equipment for power transmission and other assets of the Group are located. In addition, the Group leases non-residential real estate and vehicles.

The Group is in the process of recalculating the effects of applying IFRS 16 and expects that the effect of applying IFRS 16 may have the following impact on the assets and liabilities of the Group:

	As at 1 January 2019
Assets	
Right-of-use assets	1,700,504
Trade and other receivables	(9,047)
Liabilities	
Long-term lease liabilities	1,448,864
Short-term lease liabilities	255,852
Trade and other payables	(13,260)

The Group does not expect impairment of right-of-use assets as at 1 January 1, 2019.

In March 2018, the IASB issued a new revision of the Conceptual Framework for Financial Reporting. The new revision is mandatory and comes into force, starting from annual periods after 1 January, 2020. The Group is currently analyzing the impact of the new revision on the consolidated financial statements.

The following standards, amendments to standards and explanations are not expected to have a significant impact on the consolidated financial statements of the Group:

- Explanation of IFRIC 23 *"Uncertainty over income tax treatments"*;
- Amendments to IFRS 9 *"Prepayment features with negative compensation"* ;
- Amendments to IFRS 3 *"Business Combinations"*;
- Amendments to IFRS 11 *"Joint Arrangements"*;
- Amendments to IAS 12 *"Income Taxes"* Income tax consequences of payments on financial instruments classified as equity;
- Amendments to IAS 23 *"Borrowing Costs"*;

2. Basis of Preparation of Consolidated Financial Statements (continued)

J) Adoption of new or revised standards or interpretations (continued)

- Amendments to IAS 28 *"Long-term interests in associates and joint ventures"*;
- Amendments to IFRS 10 and IAS 28 *"Sale or contribution of assets between an investor and its associate or joint venture"*;
- Amendments to IFRS (IAS) 19 *"Plan amendment, curtailment or settlement"*;
- *"The Conceptual Framework for Financial Reporting"* ;
- IFRS 17 *"Insurance Contracts"*.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except changes in accounting policies disclosed in explanation 2 (e) and related to the beginning of application since 1 January, 2018 of IFRS 15 *"Revenue from contracts with customers"* and IFRS 9 *"Financial instruments"*.

a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to risks connected to variable returns from its involvement with the entity or has the rights to those returns 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 attributable to the non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a debit ("deficit") balance.

ii. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

1) the fair value of the consideration transferred; plus
2) the recognized amount of any non-controlling interests in the acquiree; plus
3) the fair value of the existing equity interest in the acquiree if the business combination is achieved in stages; less
4) the net recognized amount (generally, fair value) of the identifiable assets acquired, less liabilities assumed.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

When the difference is negative, a bargain purchase gain is recognized immediately in profit or loss for the period.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss for the period.

Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognized in profit or loss for the period.

iii. Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners without loss of control by the Group, and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iv. Acquisitions from 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 by the method of the predecessor. The acquired assets and liabilities are recognized at the carrying amounts recognized previously in the financial statements of the acquired entities. Any cash or other consideration paid for the acquisition is recognized directly in equity.

v. Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment also includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses by the Group is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

vi. 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

Monetary assets and liabilities of the Group's entities denominated in foreign currencies at the reporting date are translated to roubles at the exchange rate at that date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Foreign currency gains or loss arising in retranslation are recognized in profit or loss.

c) Share capital

Ordinary shares and non-redeemable preference shares are both classified as equity.

d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2006, i.e. the date of transition to IFRSs, was determined by reference to its fair value (deemed cost) at that date.

The cost includes expenditure that is 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 capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When significant 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net in the item "Net other income/(expenses)", within the profit or loss for the year.

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

ii. Subsequent expenditure

The cost of replacing part (major component) of an item of property, plant and equipment increases 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 derecognized. The costs of the day-to-day repairs and servicing of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

iii. Amortisation

Amortisation is recognized 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. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

- Buildings 7-50 years;
- Electricity transmission network 5-40 years;
- Equipment for electricity transmission 5-40 years;
- Other assets 1-50 years.

Estimated useful lives and residual values of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate.

e) Intangible assets

i. Goodwill

Goodwill ("negative goodwill") arises on the acquisition of subsidiaries, associates, and joint ventures.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

ii. Other intangible assets

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

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

iii. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of profit or loss and other comprehensive income as incurred.

iv. Amortisation

Amortisation expense on intangible assets, other than goodwill is recognized 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 of intangible assets for the current and comparative period are as follows:

- Licenses and certificates 1-10 years;
- Software 1-15 years.

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

f) 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 (discounted) 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 recognized in the consolidated statement of financial position of the Group.

g) Inventories

Inventories are measured at the lower of two values: cost or net realisable value. The cost is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or processing 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 of the Group, less the estimated costs of completion and selling expenses.

h) Advances given

Advances given are classified as non-current if they are connected with the acquisition of an asset which will be classified as non-current upon initial recognition. Advances given for the acquisition of an asset are included in its carrying amount upon the acquisition of control over the asset, and when it is probable that the Group will obtain economic benefit from its usage.

3. Significant accounting policies (continued)

i) Value-added tax

Output value-added tax (VAT) related to sales is payable to the state budget on the earlier of: (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Amounts of VAT related to advances received and given as well as VAT prepayment are recognized on a net basis within accounts receivable (VAT recoverable), and amounts of VAT to be paid to the tax authorities are presented separately within short-term liabilities. Where a provision has been made for the impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

j) Impairment of assets

i. Financial assets

Loss allowance on a financial instrument is estimated at each reporting date in an amount equal to the losses for the entire period, if the credit risk on this financial instrument has increased significantly since its initial recognition, taking into account all reasonable and corroborated information, including forecasting one. For receivables, the loss allowance is always estimated at an amount equal to the losses for the entire period.

The Group considers as indicators of a significant increase in credit risk actual or expected difficulties of the issuer or debtor, actual or expected violation of the terms of the agreement, expected revisions to the terms of the agreement due to the financial difficulties of the debtor under unfavorable conditions for the Group circumstances. Based on the usual practice of credit risk management, the Group defines default as the counterparty’s inability to fulfill its obligations (including refund under the contract) due to a significant deterioration in its financial position.

The impairment loss on a financial asset is recognized by an allowance for impairment. For a financial asset carried at amortised cost, the amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If the credit risk of the financial asset decreases in subsequent periods as a result of an event that occurred after the loss was recognized, the previously recognized impairment loss is reversed by reducing the relevant allowance. As a result of the restoration, the carrying amount of the asset should not exceed its value, at which it would be reflected in the statement of financial position if the impairment loss was not recognized.

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 at each reporting date. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

3. Significant accounting policies (continued)

j) Impairment of assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of two values: use of the asset (this unit) 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 cash-generating unit. 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units which it related to.

The Group's total (corporate) assets do not generate separate cash inflows and are utilised by more than one CGU. Costs of 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 recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized 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 recognized.

k) 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 (independent) 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 recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3. Significant accounting policies (continued)

k) Employee Benefits (continued)

ii. Defined benefit plans

The defined benefit plan is a plan for the payment of employee benefits at the end of the employment relationship therewith, which is different from the defined contribution plan. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans represents the discounted liability at the reporting date. 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.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Actuarial gains and losses on changes in actuarial assumptions are recognized in other comprehensive income/expense.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognized gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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. Remeasurements are recognized 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 recognized 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 and it is highly probable that there will be an outflow of economic benefits.

3. Significant accounting policies (continued)

l) Provisions

A provision is recognized 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 recognized as finance cost.

m) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant related to an asset, it is recognized, less relevant expenses, as income in equal amounts over the expected useful life of the related asset.

Government grants that compensate the Group for low electricity tariffs (lost income) are recognized in the consolidated statement of profit or loss and other comprehensive income in the same periods in which the respective revenue is earned.

n) Other expenses

i. Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. The amount of lease incentives received reduces the total lease expenses over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. Finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an agreement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is or contains indicators of a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other considerations required by such an arrangement into those for the lease and those for other elements proportionately to their fair values. If the Group concludes for a finance lease that it is Impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset contract. Subsequently the liability is reduced as payments are made and an imputed finance expense is recognized.

3. Significant accounting policies (continued)

(n) Other expenses (continued)

ii. Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognized in profit or loss as incurred. The Group's costs related to the financing of social programs, without making a commitment with respect to such financing in the future date are recognized in the consolidated statement of profit or loss and other comprehensive income as they arise.

o) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets at fair value and amortised cost, and discounts on financial instruments. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance espenses are comprised of interest expense on borrowings, financial leasing, gains on the disposal of financial assets at fair value and amortised cost, discounts on financial instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss for the period using the effective interest method.

p) Income tax expense

Income tax expense comprises current income tax and deferred tax. Current and deferred income tax is recognized in profit or loss for the period except to the extent that it relates to a business combination, or transactions recognized in other comprehensive income or directly in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred tax is recognized 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 recognized 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 relating to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3. Significant accounting policies (continued)

p) Income tax expense (continued)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group accrues tax liabilities for open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions, and may involve a series of judgement about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expenses in the period that such a determination is made.

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.

A deferred tax asset is recognized 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 they 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.

r) 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 reporting period. Profit attributable to ordinary shareholders is calculated by adjusting profit attributable to owners of the Company by profit attributable to holders of preference shares.

(in thousands of Russian Roubles, unless otherwise stated)

4. Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level I 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Significant subsidiaries

		% ownership / voting shares	
	Country of incorporation	**31 December 2018**	**31 December 2017**
Chuvashian Autotransport Company, JSC	The Russian Federation	99.99	99.99
Solnechniy Sanatorium-Preventorium, JSC	The Russian Federation	99.99	99.99
Social Sphere-M, JSC	The Russian Federation	100	100
Energoservice of Volga, JSC	The Russian Federation	100	100

6. Information about segments

The Management Board of PJSC IDGC of Volga has been determined as the Chief Operating Decision-Maker.

The Group's primary activity is the provision of services for electricity transmission and distribution, technological connection to the electricity grids in a number of regions of the Russian Federation.

The internal management reporting system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electricity grids in a number of regions of the Russian Federation.

6. Information about segments (continued)

Revenue indicators, EBITDA, are used to reflect the performance of each reportable segment, since they are included in internal management reporting prepared on the basis of RAS reporting data and are regularly analyzed and evaluated by the Management Board. EBITDA is calculated as profit or loss before interest expenses, taxation and depreciation and amortisation. The Management Board believes, that these indicators are most relevant when assessing the performance of certain segments in relation to other segments arid other companies that operate in this industry.

In accordance with the requirements of IFRS 8 the following reportable segments were identified based on segment revenue, EBITDA and the total assets reported to the Management Board:

- Electricity Transmission Segments — Republic of Mordovia, Chuvash Republic, Orenburg Region, Penza Region, Samara Region, Saratov Region, Ulyanovsk Region — branches of PJSC IDGC of Volga;
- Other Segments — other Group companies.

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 Management Board 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.

(in thousands of Russian Roubles, unless otherwise stated)

6. Information about segments (continued)

a) Information about reportable segments

As at and for the year ended 31 December 2018:

	Saratov Region	Orenburg Region	Samara Region	Penza Region	Ulyanovsk Region	Chuvash Republic	Republic of Mordovia	Other	Total
Revenue from external customers	15,218,111	13,799,774	13,125,264	7,602,326	6,231,649	4,048,441	3,565,787	94,796	**63,686,148**
Inter-segment revenue	–	–	–	–	–	–	9	157,505	**157,514**
Segment revenue	**15,218,111**	**13,799,774**	**13,125,264**	**7,602,326**	**6,231,649**	**4,048,441**	**3,565,796**	**252,301**	**63,843,662**
including:									
Electricity transmission	*14,996,354*	*13,678,162*	*13,020,211*	*7,557,381*	*6,202,506*	*4,021,886*	*3,115,248*	–	***62,591,748***
Services for technological connection to electric grids	*98,363*	*27,121*	*86,036*	*30,840*	*21,920*	*13,199*	*443,721*	–	***721,200***
Other revenue	*123,394*	*94,491*	*19,017*	*14,105*	*7,223*	*13,356*	*6,827*	*252,301*	***530,714***
Finance income	37,130	35,421	112,628	19,468	122,252	8,084	9,347	2,759	**347,089**
Finance expenses	(51,976)	–	–	–	–	(37,121)	(39,946)	–	**(129,043)**
Amortisation	1,320,318	1,052,240	1,445,592	492,035	322,460	383,301	321,101	18,226	**5,355,273**
EBITDA	**3,385,119**	**2,717,584**	**2,121,522**	**1,046,576**	**539,149**	**586,825**	**951,968**	**21,626**	**11,370,369**
Segment assets	**15,644,603**	**12,072,405**	**15,926,365**	**5,530,402**	**5,109,844**	**5,350,460**	**3,699,509**	**229,490**	**63,563,078**
Including property, plant and equipment and construction in progress	*13,896,907*	*9,715,634*	*13,526,268*	*4,401,628*	*3,592,092*	*3,246,134*	*3,044,818*	*101,960*	***51,525,441***
Capital expenditure	**1,595,794**	**1,708,806**	**2,188,083**	**779,744**	**486,232**	**514,063**	**459,504**	**15,269**	**7,747,495**
Segment liabilities	**2,966,450**	**1,640,058**	**2,716,401**	**1,184,182**	**873,536**	**1,905,168**	**1,623,259**	**26,523**	**12,935,577**

(in thousands of Russian Roubles, unless otherwise stated)

6. Information about segments (continued)

(a) Information about reportable segments (continued)

As at and for the year ended 31 December 2017:

	Saratov Region	Orenburg Region	Samara Region	Penza Region	Ulyanovsk Region	Chuvash Republic	Republic of Mordovia	Other	Total
Revenue from external customers	13,770,263	13,145,780	12,080,506	7,331,464	5,789,790	3,941,228	3,079,926	111,102	**59,250,059**
Inter-segment revenue	–	70	–	–	–	–	9	136,707	**136,786**
Segment revenue	**13,770,263**	**13,145,850**	**12,080,506**	**7,331,464**	**5,789,790**	**3,941,228**	**3,079,935**	**247,809**	**59,386,845**
including:									
Electricity transmission	*13,693,682*	*12,893,456*	*11,994,118*	*7,264,687*	*5,771,409*	*3,911,556*	*2,866,006*	–	***58,394,914***
Services for technological connection to electric grids	*53,147*	*141,694*	*63,910*	*24,848*	*12,371*	*15,901*	*207,106*	–	***518,977***
Other revenue	*23,434*	*110,700*	*22,478*	*41,929*	*6,010*	*13,771*	*6,823*	*247,809*	***472,954***
Finance income	42,372	40,853	38,681	20,949	14,551	9,839	19,893	2,124	**189,262**
Finance expenses	(208,829)	–	–	(10,311)	(2,753)	(132,470)	(140,770)	–	**(495,133)**
Amortisation	1,328,278	1,064,509	1,414,832	481,376	307,653	367,559	307,747	17,360	**5,289,314**
EBITDA	**2,894,028**	**2,720,547**	**2,570,012**	**1,204,374**	**832,768**	**977,089**	**822,066**	**21,997**	**12,042,881**
Segment assets	**15,133,798**	**12,079,680**	**16,036,587**	**5,759,401**	**5,300,894**	**5,036,909**	**3,729,892**	**226,588**	**63,303,749**
Including property, plant and equipment and construction in progress	*13,665,302*	*9,372,080*	*12,974,899*	*4,144,594*	*3,437,915*	*3,122,237*	*2,921,922*	*105,531*	***49,744,480***
Capital expenditure	**783,151**	**773,288**	**1,006,301**	**442,620**	**265,106**	**285,734**	**520,874**	**15,443**	**4,092,517**
Segment liabilities	**3,623,806**	**1,525,177**	**2,277,299**	**1,108,909**	**705,136**	**1,883,138**	**2,313,533**	**23,715**	**13,460,713**

(in thousands of Russian Roubles, unless otherwise stated)

6. Information about segments (continued)

b) Reconciliation of key segment items reportable to the Management Board of the Group with similar items in these consolidated financial statements

Reconciliation of segment revenues:

	Year ended 31 December	
	2018	**2017**
Segment revenue	**63,843,662**	**59,386,845**
Inter-segment revenue elimination	(157,513)	(136,786)
Revenue per Consolidated statement of profit or loss and other comprehensive income	**63,686,149**	**59,250,059**

EBITDA reconciliation of reportable segments

	Year ended 31 December	
	2018	**2017**
EBITDA of reportable segments	**11,370,369**	**12,042,881**
Discounting of receivables	(200)	(1,293)
Adjustment for advances' paid impairment provision	(27)	–
Recognition of pension and other long-term employee benefit liabilities	(21,449)	(38,753)
Adjustment for assets related to employee benefit plans	32,339	(8,652)
Adjustment for property, plant and equipment	128,362	115,579
Adjustments for other liabilities*	555,753	–
Other adjustments	2,337	(400)
EBITDA	**12,067,484**	**12,109,362**
Amortisation	(4,645,911)	(4,424,165)
Interest expenses on financial liabilities	(129,050)	(495,111)
Income tax expense	(1,582,323)	(1,600,437)
Consolidated profit for the year per statement of profit or loss and other comprehensive income	**5,710,200**	**5,589,649**

* Reclassification of deferred revenues (Note 8).

Reconciliation of reportable segment total assets:

	Yera ended 31 December	
	2018	**2017**
Total segment assets	**63,563,078**	**63,303,749**
Intersegment balances	(8,297)	(16,876)
Intragroup financial assets	(101,529)	(101,529)
Adjustment for value of property, plant and equipment	(10,549,896)	(11,388,214)
Recognition of assets related to employee benefit plans	476,895	509,234
Adjustment for provision for impairment of advances paid	–	27
Adjustment for deferred tax assets	(265,620)	(146,591)
Discounting of receivables	(2,183)	(1,983)
Other adjustments	20,201	(1,613)
Unallocated items	433,802	213,529
Total assets per consolidated statement of financial position	**53,566,451**	**52,369,733**

(in thousands of Russian Roubles, unless otherwise stated)

6. Information about segments (continued)

(b) Reconciliation of key segment items reportable to the Management Board of the Group with similar items in these consolidated financial statements (continued)

Reconciliation of reportable segment total liabilities:

	Yera ended 31 December	
	2018	**2017**
Total segment liabilities	**12,935,577**	**13,460,713**
Intersegment balances	(8,297)	(16,876)
Adjustment for deferred tax liabilities	(208,526)	(94,789)
Recognition of pension and other long-term employee benefit liabilities	1,585,156	1,681,087
Other provisions and accruals	(555,753)	–
Unallocated items	1,059,582	1,499,364
Total liabilities per consolidated statement of financial position	**14,807,739**	**16,529,499**

c) Major customer

The Group operates in the Russian Federation. The Group does not earn revenue from foreign customers and does not hold non-current assets abroad.

For the years ended 31 December 2018 and 31 December 2017, the Group had three counterparties with individual turnover over 10% of total Group revenues. Revenues from these counterparties are reported by the operating segments in Saratov Region, Samara Region and Orenburg Region.

Total amounts of revenues from PJSC Saratovenergo for 2018 were RUB 9,187,423 thousand or 14% of the Group total revenue (2017: RUB 8,240,113 thousand or 14%). Total amounts of revenues from PJSC Samaraenergo for 2018 were RUB 7,400,034 thousand or 12% of the Group total revenue (2017: RUB 7,417,660 thousand or 12%). Total amounts of revenues from OJSC EnergosbyT Plus for 2018 were RUB 6,942,334 thousand or 11% of the Group total revenue (2017: RUB 6,791,410 thousand or 11%).

7. Revenue

	Year ended 31 December	
	2018	**2017**
Electricity transmission	62,591,748	58,394,912
Services for technological connection to electric grids	721,200	518,977
Other revenue	373,201	336,170
Total	**63,686,149**	**59,250,059**

Other revenue is comprised mainly of revenue from repair and maintenance services, rental income and transport services.

(in thousands of Russian Roubles, unless otherwise stated)

8. Other income/(expenses), net

	Year ended 31 December	
	2018	**2017**
Income from identified non-contracted consumption of electricity	7,049	9,359
Income in the form of fines and penalties on commercial contracts	444,937	789,719
Gain on disposal of property, plant and equipment	69,706	4,581
Insurance coverage, net	(14,973)	625
Write-off of accounts payable	5,587	16,793
Gain on property, plant and equipment and inventories received for free*	580,303	2,053
Other income/(expenses), net	8,437	8,461
Total	**1,101,046**	**831,591**

* The Group entered into a contract for free use of power grid facilities with the Ministry of Transport, Communications and Highways of the Samara Region (hereinafter, the "Ministry of Transport"). In accordance with the agreement, the Group transferred to the Ministry of Transport energy facilities (cable lines) for free use, and the Ministry of Transport received these facilities for the implementation of the highway reconstruction project. Upon completion, the Ministry of Transport transferred the reconstructed facilities to the Company, in March 2018. The reconstruction of the power grid facilities was carried out at the expense of the Ministry of Transport and not reimbursed by the Group. The services were rendered to the Group by third parties. Proceeds from this transaction is the difference between the residual value of the transferred facilities and the fair value of the received ones.

9. Operating expenses

	Year ended 31 December	
	2018	**2017**
Employee benefits expense	12,534,245	11,972,472
Amortisation	4,645,911	4,424,165
Material expenses, including:		
Electricity for compensation of technological losses	8,949,842	8,178,386
Purchased electricity and heat power for own needs	539,110	505,269
Other material expenses	2,137,968	1,980,619
Production works and services, including:		
Electricity transmission services	25,061,171	21,944,877
Repair and maintenance services	411,062	410,970
Other production works and services	87,093	34,523
Taxes and charges other than income tax	990,340	775,598
Lease	390,799	379,545
Insurance	75,521	77,726
Other third-party services, including:		
Communication services	165,333	161,607
Security services	245,682	221,407
Consulting, legal and audit services	10,342	7,255
Software maintenance costs	214,799	177,401
Transportation services	14,081	17,698
Other services	638,884	506,972
Impairment loss	48,956	344,336
Provisions	25,822	13,013
Other expenses	416,338	375,648
Total	**57,603,299**	**52,509,487**

(in thousands of Russian Roubles, unless otherwise stated)

10. Employee benefits expense

	Year ended 31 December	
	2018	**2017**
Wages and salaries	9,657,277	9,150,042
Social security contributions	2,844,202	2,684,701
Expenses related to defined benefit plans	14,438	56,846
Expenses related to other long-term employee benefits	1,274	57,053
Other	17,054	23,830
Total	**12,534,245**	**11,972,472**

The amount of contributions to the defined contribution plans was RUB 17,054 thousand for the year ended 31 December 2018 (for the year ended 31 December 2017: RUB 23,830 thousand).

Remuneration to key management personnel is disclosed in Note "Related Parties".

11. Finance income and expenses

	Year ended 31 December	
	2018	**2017**
Finance income		
Interest income on bank deposits and balances in the bank accounts	158,846	189,262
Interest on repackaged receivables	188,242	–
Dividends receivable	2	7
Interest income on assets related to employee benefit liability	2,856	31,355
Amortisation of discount on financial assets	1,344	316
Other finance income	–	3
Total	**351,290**	**220,943**

	Year ended 31 December	
	2018	**2017**
Finance expenses		
Interest expense on financial liabilities measured at amortised cost	(129,050)	(495,111)
Interest expense on long-term employee benefits liability	(112,069)	(106,285)
Effect from initial discounting of financial assets	(1,544)	(1,609)
Other finance expenses	–	(15)
Total	**(242,663)**	**(603,020)**

(in thousands of Russian Roubles, unless otherwise stated)

12. Income tax

	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax		
Accrual of current tax	(1,540,455)	(1,506,565)
Adjustment of tax for prior years	(49,622)	12,920
Total	**(1,590,077)**	**(1,493,645)**
Deferred income tax		
Origination and reversal of temporary differences	7,754	(106,792)
Total	**7,754**	**(106,792)**
Income tax expense	**(1,582,323)**	**(1,600,437)**

Income tax recognized in other comprehensive income

	Year ended 31 December 2018			Year ended 31 December 2017		
	Before tax	**Income tax**	**Net of tax**	**Before tax**	**Income tax**	**Net of tax**
Financial assets at fair value through other comprehensive income	(9)	2	(7)	–	–	–
Remeasurements of defined benefit plans liabilities	52,702	(49,767)	2,935	(188,069)	71,481	(116,588)
Total	**52,693**	**(49,765)**	**2,928**	**(188,069)**	**71,481**	**(116,588)**

The tax rate applicable by PJSC IDGC of Volga and its subsidiaries in 2018 and 2017 is the income tax rate of 20% for Russian companies. This rate has been used in the calculation of deferred tax assets and liabilities.

Income before tax relates to income tax expense as follows:

	Year ended 31 December 2018	%	Year ended 31 December 2017	%
Income before tax	**7,292,523**		**7,190,086**	
Income tax at applicable tax rate	**(1,458,505)**	**20**	**(1,438,017)**	**20**
Tax effect of items which are not deductible or taxable for taxation purposes	(74,196)		(175,340)	
Adjustments of prior years	(49,622)		12,920	
	(1,582,323)		**(1,600,437)**	

(in thousands of Russian Roubles, unless otherwise stated)

13. Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other PPE	Construction in progress	Total
Initial cost/ deemed cost						
As at 1 January 2017	**17,000,816**	**26,126,152**	**15,675,626**	**13,934,803**	**1,446,784**	**74,184,181**
Reclassification between groups	(400,812)	(96,755)	501,074	(3,507)	−	−
Additions	13,113	2,360	7,229	175,834	3,888,149	**4,086,685**
Commissioning	687,688	1,280,304	1,558,690	568,872	(4,095,554)	−
Disposals	(6,164)	(3,610)	(37,600)	(62,206)	(43,951)	**(153,531)**
As at 31 December 2017	**17,294,641**	**27,308,451**	**17,705,019**	**14,613,796**	**1,195,428**	**78,117,335**
Accumulated amortisation and impairment						
As at 1 January 2017	**(5,961,752)**	**(14,141,850)**	**(6,144,415)**	**(9,183,901)**	**−**	**(35,431,918)**
Reclassification between groups	41,233	37,584	(41,092)	(37,725)	−	−
Accumulated amortisation	(884,416)	(1,366,206)	(933,158)	(1,133,142)	−	**(4,316,922)**
Disposals	3,286	2,962	20,102	57,071	−	**83,421**
As at 31 December 2017	**(6,801,649)**	**(15,467,510)**	**(7,098,563)**	**(10,297,697)**	**−**	**(39,665,419)**
Net book value						
As at 1 January 2017	**11,039,064**	**11,984,302**	**9,531,211**	**4,750,902**	**1,446,784**	**38,752,263**
As at 31 December 2017	**10,492,992**	**11,840,941**	**10,606,456**	**4,316,099**	**1,195,428**	**38,451,916**
Initial cost/ deemed cost						
As at 1 January 2018	**17,294,641**	**27,308,451**	**17,705,019**	**14,613,796**	**1,195,428**	**78,117,335**
Reclassification between groups	(77,389)	264	119,235	(42,110)	−	−
Additions	39,803	530,350	28,061	492,508	6,455,552	**7,546,274**
Commissioning	650,524	1,625,928	2,166,116	1,495,733	(5,938,301)	−
Disposals	(10,988)	(51,182)	(13,897)	(88,411)	(363,856)	**(528,334)**
As at 31 December 2018	**17,896,591**	**29,413,811**	**20,004,534**	**16,471,516**	**1,348,823**	**85,135,275**
Accumulated amortisation and impairment						
As at 1 January 2018	**(6,801,649)**	**(15,467,510)**	**(7,098,563)**	**(10,297,697)**	**−**	**(39,665,419)**
Reclassification between groups	35,278	308	(49,789)	14,203	−	−
Accumulated amortisation	(952,068)	(1,396,493)	(1,098,183)	(1,084,801)	−	**(4,531,545)**
Disposals	5,826	31,233	10,936	82,360	−	**130,355**
As at 31 December 2018	**(7,712,613)**	**(16,832,462)**	**(8,235,599)**	**(11,285,935)**	**−**	**(44,066,609)**
Net book value						
As at 1 January 2018	**10,492,992**	**11,840,941**	**10,606,456**	**4,316,099**	**1,195,428**	**38,451,916**
As at 31 December 2018	**10,183,978**	**12,581,349**	**11,768,935**	**5,185,581**	**1,348,823**	**41,068,666**

13. Property, plant and equipment (continued)

As at 31 December 2018 construction in progress includes prepayments for supply of property, plant and equipment of RUB 1,058 thousand (as at 31 December 2017: RUB 14,964 thousand), and materials for construction of property, plant and equipment of RUB 107,879 thousand (as at 31 December 2017: RUB 79,756 thousand).

Capitalized interest for the year ended 31 December 2018 amounted to RUB 100,420 thousand (for the year ended 31 December 2017: RUB 79,401 thousand), with a capitalization rate amounted to 7.68% (for the year ended 31 December 2017: 9,98%).

The amortisation charge has been capitalized to the cost of the capital construction objects for the year ended 31 December 2018 of RUB 3,157 thousand (for the year ended 31 December 2017: RUB 3,853 thousand).

As at 31 December 2018 and 31 December 2017 there are no property, plant and equipment pledged as collateral for loans and borrowings.

Impairment of property, plant and equipment

As the indicators of impairment were revealed, the Group performed an impairment test of the property, plant and equipment as at 31 December 2018. For this, the Group analyzed cash flows and compared the estimated recoverable amount with the carrying amounts of non-current assets.

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 of the property, plant and equipment.

Therefore, the value in use for property, plant and equipment as at 31 December 2018 was determined using projected cash flows method. This method considers the future net cash flows expected to be generated by the property, plant and equipment in the process of operating activities and upon disposal to determine the recoverable amount of the assets.

Cash-generating units are determined by the Group based on the geographical location of the branches and subsidiaries which are the smallest identifiable groups of assets that generate cash inflows regardless of other assets of the Group.

The following key assumptions were used in assessing the recoverable amount of the cash-generating units:

Forecasted cash flows were prepared for period No.1: 2019-2023 (for CGU of Mordovenergo branch, Chuvashenergo branch, Orenburgenergo branch, Penzaenergo branch, Saratov Distribution Networks branch, Ulyanovsk Distribution Networks branch); for period No 2: 2019-2028 (for CGU Samara Distribution Networks branch) based on the best estimate of the management in respect of the electricity transmission volumes, operating expenses and capital expenditure, and tariffs approved by regulatory authorities for 2019. For GGU Samara Distribution Networks branch a longer forecast is due to a failure to stabilise the cash flow by 2023.

Source electricity transmission tariffs for the forecasted period were taken from business plans, which were based on tariff models prepared taking into account annual average growth of tariffs for electricity transmission services in accordance with the middle-term forecast for the social and economic development of the Russian Federation until 2024 (baseline) of October 1, 2018.

(in thousands of Russian Roubles, unless otherwise stated)

13. Property, plant and equipment (continued)

Impairment of property, plant and equipment (continued)

Growth rates of tariffs in 2019-2023 are limited by the inflation rate as forecasted by the Ministry for Economic Development in the amount of 4%.

Forecasted electricity transmission volumes for all cash-generating units have been determined on the basis of annual business plans for 2019-2023.

Projected cash flows were discounted to their present value using the nominal weighted average cost of capital (WACC) of 10.00%.

Table 1. Changes in the WACC

Name	Impairment test as at 31 December 2017	Impairment test as at 31 December 2018
WACC Nominal ruble discount rate, %	10,25%	10,00%

Source: Estimator's calculations

The growth rate of net cash flows in the post-forecast period amounted to 4.0% for all generating units in accordance with the baseline scenario of the socio-economic development of the Russian Federation for the period up to 2036, compiled by the Ministry of Economic Development, according to the indicator "Inflation (CPI) average annual".

Table 2. Changes in terminal growth rates

Name	Impairment test as at 31 December 2017	Impairment test as at 31 December 2018
Terminal growth rate, %	3,3%	4.0%

Source: Estimator's calculations

As a result of testing as at 31 December, 2018, no impairment of property, plant and equipment was detected.

The sensitivity analysis of the material assumptions on which the impairment models are constructed for CGUs of PJSC IDGC of Volga as at 31 December, 2018 is below:

- increase in discount rate up to 11%:
  - results in an impairment loss on Penzaenergo in the amount of RUB 514,083 thousand;
  - results in an impairment loss on Chuvashenergo in the amount of RUB 153,575 thousand;
- decrease in the growth rate of net cash flow in the post-forecast period by 1%:
  - results in an impairment loss on Penzaenergo in the amount of RUB 1,053,903 thousand;
  - results in an impairment loss for Chuvashenergo in the amount of RUB 432,182 thousand.

(in thousands of Russian Roubles, unless otherwise stated)

14. Intangible assets

	Software	Research and development	Other PPE	Total
Initial cost				
As at 1 January 2017	**341,061**	**26,788**	**25,752**	**393,601**
Additions	106,841	28,011	2,034	**136,886**
Disposals	(111,422)	–	–	**(111,422)**
As at 31 December 2017	**336,480**	**54,799**	**27,786**	**419,065**
As at 1 January 2018	**336,480**	**54,799**	**27,786**	**419,065**
Reclassification between groups	–	(17,990)	17,990	**–**
Additions	162,578	26,909	–	**189,487**
Disposals	(91,813)	–	–	**(91,813)**
As at 31 December 2018	**407,245**	**63,718**	**45,776**	**516,739**
Accumulated amortisation and impairment				
As at 1 January 2017	**(214,582)**	**(15,466)**	**(10,550)**	**(240,598)**
Accumulated amortisation	(103,526)	(3,076)	(4,494)	**(111,096)**
Disposals	111,422	–	–	**111,422**
As at 31 December 2017	**(206,686)**	**(18,542)**	**(15,044)**	**(240,272)**
As at 1 January 2018	**(206,686)**	**(18,542)**	**(15,044)**	**(240,272)**
Reclassification between groups	–	6,469	(6,469)	**–**
Accumulated amortisation	(111,039)	(2,956)	(3,528)	**(117,523)**
Disposals	91,813	–	–	**91,813**
As at 31 December 2018	**(225,912)**	**(15,029)**	**(25,041)**	**(265,982)**
Net book value				
As at 1 January 2017	**126,479**	**11,322**	**15,202**	**153,003**
As at 31 December 2017	**129,794**	**36,257**	**12,742**	**178,793**
As at 31 December 2018	**181,333**	**48,689**	**20,735**	**250,757**

The intangible assets amortisation charge included in operating expenses of the consolidated statement of profit or loss and other comprehensive income amounted to RUB 117,525 thousand (for the year ended 31 December 2017: RUB 111,096 thousand). Intangible assets are amortised using the straight-line method.

Capitalized interest for the year ended 31 December 2018 amounted to RUB 193 thousand (for the year ended 31 December 2017: RUB 410 thousand).

Capitalization rate for the year ended 31 December 2018 was 7.68% (for the year ended 31 December 2017: 9,98%).

Other intangible assets comprise trademarks and patents on utility models of RUB 20,735 thousand as at 31 December 2018 (as at 31 December 2017: RUB 12,742 thousand).

(in thousands of Russian Roubles, unless otherwise stated)

15. Financial investments

	31 December 2018	31 December 2017
Non-current		
Financial assets at fair value, changes in which are made through other comprehensive income	104	–
Available-for-sale financial assets	–	113
Total	**104**	**113**

Financial assets at fair value, changes in which are made through other comprehensive income (as at 31 December 2017 - available-for-sale financial assets) are shares of Russian companies traded on the securities market.

16. Deferred tax assets and liabilities

The differences between IFRS and Russian tax law result in temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes, on the one hand, and for income tax purposes, on the other one.

a) Recognized deferred assets and liabilities

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

	Assets		Liabilities		Net	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Property, plant and equipment	–	–	(2,751,084)	(2,689,856)	**(2,751,084)**	**(2,689,856)**
Intangible assets	–	–	(13,880)	(9,744)	**(13,880)**	**(9,744)**
Available-for-sale financial investments	–	2	–	–	**–**	**2**
Financial assets at fair value, changes in which are made through other comprehensive income	2	–	–	–	**2**	**–**
Inventories	–	–	(2,056)	(13)	**(2,056)**	**(13)**
Trade and other receivables and prepayments	–	–	(69,603)	(116,878)	**(69,603)**	**(116,878)**
Provisions	5,223	1,356	–	–	**5,223**	**1,356**
Employee benefit liabilities	28,205	61,773	–	–	**28,205**	**61,773**
Trade and other payables	86,673	78,672	–	–	**86,673**	**78,672**
Other	5,334	5,513	–	–	**5,334**	**5,513**
Tax assets/(liabilities)	**125,437**	**147,316**	**(2,836,623)**	**(2,816,491)**	**(2,711,186)**	**(2,669,175)**
Tax set-off	(125,437)	(147,316)	125,437	147,316	**–**	**–**
Net tax/(liabilities)	**–**	**–**	**(2,711,186)**	**(2,669,175)**	**(2,711,186)**	**(2,669,175)**

(in thousands of Russian Roubles, unless otherwise stated)

16. Deferred tax assets and liabilities (continued)

b) Movement in temporary differences during the year

	1 January 2018	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2018
Property, plant and equipment	(2,689,856)	(61,228)	–	(2,751,084)
Intangible assets	(9,744)	(4,136)	–	(13,880)
Financial assets at fair value, changes in which are made through other comprehensive income	–	–	2	2
Financial assets at fair value through profit or loss	2	(2)	–	–
Inventories	(13)	(2,043)	–	(2,056)
Trade and other receivables and prepayments	(116,878)	47,275	–	(69,603)
Provisions	1,356	3,867	–	5,223
Employee benefit liabilities	61,773	16,199	(49,767)	28,205
Trade and other payables	78,672	8,001	–	86,673
Other	5,513	(179)	–	5,334
Non-recognized deferred assets	–	–	–	–
	(2,669,175)	**7,754**	**(49,765)**	**(2,711,186)**

	1 January 2017	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2017
Property, plant and equipment	(2,715,397)	25,541	–	(2,689,856)
Intangible assets	(5,112)	(4,632)	–	(9,744)
Available-for-sale financial investments	3	(1)	–	2
Inventories	(232)	219	–	(13)
Trade and other receivables and prepayments	(107,480)	(9,398)	–	(116,878)
Provisions	4,278	(2,922)	–	1,356
Employee benefit liabilities	2,591	(12,299)	71,481	61,773
Trade and other payables	167,798	(89,126)	–	78,672
Other	19,687	(14,174)	–	5,513
	(2,633,864)	**(106,792)**	**71,481**	**(2,669,175)**

(in thousands of Russian Roubles, unless otherwise stated)

17. Inventories

	31 December 2018	31 December 2017
Raw materials and supplies	1,615,479	1,539,915
Provision for impairment of raw materials and supplies	(60)	(60)
Other inventories	29,823	29,953
Total	**1,645,242**	**1,569,808**

As at 31 December 2018 and 31 December 2017, the Group did not pledge inventories as collateral under loan or other agreements.

During the year ended 31 December 2018, RUB 2,137,968 thousand were recognized as expenses (during the year ended 31 December 2017: RUB 1,980,619 thousand) within operating expenses as "Other material expenses".

18. Trade and other receivables

	31 December 2018	31 December 2017
Trade and other receivables		
Trade receivables	235,551	16,274
Allowance for impairment of trade receivables	–	–
Other receivables	201,587	8,279
Provision for impairment of other receivables	–	–
Total financial assets	**437,138**	**24,553**
Advances given	34 613	11,787
Provision for impairment of advances given	–	–
VAT on advances of customers and clients	68,325	120,568
Total	**102,938**	**132,355**
Trade and other receivables, short-term		
Trade receivables	7,719,669	7,807,059
Allowance for impairment of trade receivables	(803,308)	(791,308)
Other receivables	390,077	474,381
Provision for impairment of other receivables	(90,031)	(99,155)
Total financial assets	**7,216,407**	**7,390,977**
Advances given	154,535	186,119
Provision for impairment of advances given	(18,022)	(4,341)
VAT recoverable	760	1,279
VAT for advances from buyers and customers and VAT for advances paid for fixed asset acquisition	68,950	73,775
Prepaid taxes, other than income tax	10,397	6,950
Total	**216,620**	**263,782**

Information about the Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 27.

Information about related party transactions are detailed in Note 31.

(in thousands of Russian Roubles, unless otherwise stated)

19. Cash and cash equivalents

	31 December 2018	31 December 2017
Cash in banks and in hand	1,920,348	3,698,413
Cash equivalents	31,650	148,600
Total	**1,951,998**	**3,847,013**

	Rating	Rating agency	31 December 2018	31 December 2017
Sberbank*	ACRA	AAA(RU)	198,729	447,491
Gazprombank*	ACRA	AA(RU)	34	3,250,778
AB Russia	ACRA	A+(RU)	1,721,385	–
Other PPE			–	3
Cash on hand			200	141
Total			**1,920,348**	**3,698,413**

* Government-related banks.

Cash equivalents consist of short-term bank deposits:

	Interest rate	Rating	Rating agency	31 December 2018	31 December 2017
Sberbank*	4.3-5.7	ACRA	AAA(RU)	–	123,000
Gazprombank*	6.5-7	ACRA	AA(RU)	31,650	25,600
Total				**31,650**	**148,600**

* Government-related banks.

As at 31 December 2018 and 31 December 2017, all cash and cash equivalents balances are denominated in roubles.

20. Share capital

a) Share capital

	Ordinary shares	
	31 December 2018	31 December 2017
Nominal value per one share	0.1	0.1
On issue at 1 January, pcs.	188,307,958,733	181,094,601,146
On issue at the end of the year and fully paid, pcs.	188,307,958,733	188,307,958,733

b) Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company Shareholders' General Meetings.

c) Dividends

Distribution of profit is based, in accordance with the legislation of the Russian Federation, on the net profit according to the accountant's report prepared in accordance with the Russian Accounting Principles of the Russian legislation.

On 1 June 2018, the Annual General Meeting of Shareholders declared dividends for 2017 of RUB 2,794,825 thousand. Dividends paid for each share is the ratio of total dividends to the total quantity of ordinary shares of the Company included in the list of persons entitled to receive dividends.

20. Share capital (continued)

d) Additional issue of shares

On 30 September 2016, the Extraordinary General Meeting of Shareholders of PJSC IDGC of Volga approved an increase in the Company's share capital through issuance of 8,996,857,669 additional uncertified ordinary shares with a par value of 0.1 roubles each under open subscription. The method of issuance is an open subscription. The approved offering price was determined by the Company's Board of Directors of RUB 0.1 on 30 August 2016.

Following the issuance, the Company has placed 7,213,357,586.807941 ordinary shares of total RUB 721,335,758.68.

- The Company placed 5,891,257,586.807941 ordinary certified shares of total RUB 589,125,758.68 during the period of pre-emptive right to buy additional shares.
- Under open subscription, the Company has placed 1,322,100,000 ordinary shares of total RUB.

PJSC Rosseti bought 4,709,200,000 ordinary certified shares of total RUB 470,920,000 during the issuance.

This share issuance was registered by the Central Bank of the Russian Federation on 01 November 2016. On 14 December 2017, Inter-district inspectorate of Federal Tax Service of Russia No. 19 for Saratov Region registered the changes in the Charter of PJSC of Volga with regard to the increase in the share capital.

21. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the earnings attributable to ordinary shareholders for 2018 in the amount of RUB 5,710,200 thousand (for 2017: earnings of RUB 5,589,649 thousand) and the weighted average number of ordinary shares outstanding of 181,307,958,733 in 2018 (2017: 181,450,328,369 shares).

The Company has no dilutive financial instruments.

In thousands of shares	2018	2017
Ordinary shares at 1 January	**188,307,959**	**181,094,601**
Effect of issued shares	–	355,727
Weighted average number of shares for the year ended 31 December	**188,307,959**	**181,450,328**

	Year ended 31 December 2018	**Year ended 31 December 2017**
Weighted average number of ordinary shares outstanding, for the year ended 31 December (in thousands of shares)	188,307,959	181,450,328
Earning for the year attributable to holders of ordinary shares	5,710,200	5,589,649
Earnings per ordinary share - basic and diluted (in Russian Roubles)	**0.0303**	**0.0308**

(in thousands of Russian Roubles, unless otherwise stated)

22. Loans and borrowings

	31 December 2018	31 December 2017
Non-current liabilities		
Unsecured loans and borrowings	3,370,000	4,370,000
	3,370,000	**4,370,000**
Current liabilities		
Unsecured loans and borrowings	12,353	5,855
	12,353	**5,855**
Including:		
Interest payable on loans and borrowings	12,353	5,855
	12,353	**5,855**

As at 31December 2018 and 31December 2017, all loans and borowings balances are denominated in roubles.

		Effective interest rate		Carrying amount	
	Year of maturity	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Unsecured loans and borrowings					
Unsecured loans and borrowings*	2021	7.5%-7.6%	8.15%-8.7%	3,382,353	4,375,855
Total liabilities				**3,382,353**	**4,375,855**

* Loans and borrowings from the government-related entities.

The Group has not entered into any hedging agreements in respect of its interest rate exposure. Information about the Group's exposure to interest rate risk is disclosed in Note 27.

(in thousands of Russian Roubles, unless otherwise stated)

23. Changes in liabilities arising from financial activities

	Principal amount of financial liabilities payable, net of finance lease and dividends payable			Interest on financial liabilities payable, net of finance lease and dividends payable	Dividends payable	Total
	Total	Non-current portion	Current portion			
As at 1 January 2018	**4,370,000**	**4,370,000**	**–**	**5,855**	**12,548**	**4,388,403**
Cash flows used in financing activities, net	**(1,000,000)**	(1,000,000)	**–**	–	(2,774,356)	**(3,774,356)**
Cash flows used in interest paid (operating activities, for reference)	**–**	–	–	(223,165)	–	**(223,165)**
Interest and dividend payable accrued	**–**	–	–	129,050	2,794,825	**2,923,875**
Interest capitalized	**–**	–	–	100,613	–	**100,613**
Other changes, net	**–**	–		–	1,182	**1,182**
As at 31 December 2018	**3,370,000**	**3,370,000**	**–**	**12,353**	**34,199**	**3,416,552**

(in thousands of Russian Roubles, unless otherwise stated)

23. Changes in liabilities arising from financial activities (continued)

	Principal amount of financial liabilities payable, net of finance lease and dividends payable			Interest on financial liabilities payable, net of finance lease and dividends payable	Dividends payable	Total
	Total	**Non-current portion**	**Current portion**			
As at 1 January 2017	**8,380,000**	**8,380,000**	**–**	**13,883**	**2,336**	**8,396,219**
Cash flows used in financing activities, net	**(4,010,000)**	670,000	(4,680,000)	–	(1,298,422)	**(5,308,422)**
Cash flows used in interest paid (operating activities, for reference)	**–**	–	–	(582,949)	–	**(582,949)**
Interest and dividend payable accrued	**–**	–	–	495,111	1,308,811	**1,803,922**
Interest capitalized	**–**	–	–	79,810	–	**79,810**
Transfer from non-current portion to current portion	**–**	(4,680,000)	4,680,000	–	–	**–**
Other changes, net	**–**	–	–	–	(177)	**(177)**
As at 31 December 2017	**4,370,000**	**4,370,000**	**–**	**5,855**	**12,548**	**4,388,403**

(in thousands of Russian Roubles, unless otherwise stated)

24. Employee Benefits

The Group has a defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement, old-age and benefits-defined pensions made during a certain period, financial support for current pensioners, death benefits and anniversary benefits.

On October 3, 2018, the President of the Russian Federation signed the Federal Law *"On Amendments to Certain Legislative Acts of the Russian Federation"*. The law comes into force on January 1, 2019 and provides for a gradual increase in the retirement age. Net value of pension obligations as at 31 December 2018 was reported taking into account the impact of amendments to pension legislation.

Amounts of defined benefit obligations recognized in the consolidated statement of financial position are presented below:

	31 December 2018	31 December 2017
Net value of post-employment benefit plan obligations	1,372,157	1,476,140
Net value of other long-term employee benefit plan obligation	212,999	204,947
Total obligations, net	**1,585,156**	**1,681,087**

Changes in the value of assets related to employee benefit plan liabilities:

	Year ended 31 December	
	2018	2017
Value of assets at 1 January	**509,234**	**500,581**
Return on plan assets	2,856	31,355
Employer contributions	89,945	81,208
Other movements in the accounts	(1,363)	8,664
Payment of benefits	(123,777)	(112,574)
Value of assets at 31 December	**476,895**	**509,234**

Assets related to defined benefit pension plans are administrated by non-state pension funds NPF "Otkrytiye" and "Professionalny". These assets are not the defined benefit plans' assets because under the terms of agreements between the Group and the funds the Group has the right to use the contributions paid under defined benefit plans to fund its defined contribution pension plans or transfer to another fund on the Group's own initiative.

(in thousands of Russian Roubles, unless otherwise stated)

24. Employee Benefits (continued)

Changes in the present value of defined benefit obligations:

	Year ended 31 December 2018		Year ended 31 December 2017	
	Post-employment benefits	**Other non-current employee benefits**	**Post-employment benefits**	**Other non-current employee benefits**
Defined benefit plan obligation as at 1 January	**1,476,140**	**204,947**	**1,290,205**	**146,755**
Current service cost	53,828	9,409	56,846	14,156
Past service cost and curtailments	(39,390)	(15,816)	–	(22,434)
Interest expense on liabilities	98,401	13,668	96,456	9,829
Remeasurement effect from:				
- loss/(gain) from change in demographic actuarial assumptions	(4,494)	(1,369)	(141)	(13)
- (gain)/loss from change in financial assumptions	(162,792)	(24,775)	67,622	17,002
- (gain)/loss from experience adjustment	114,584	33,825	120,588	48,342
Contributions to the plan	(164,120)	(6,890)	(155,436)	(8,690)
Defined benefit plan obligation as at 32 December	**1,372,157**	**212,999**	**1,476,140**	**204,947**

Expenses recognized in profit or loss for the period:

	Year ended	
	31 December 2018	**31 December 2017**
Employee service cost	8,031	48,568
Remeasurement of other long-term employee benefit obligation	7,681	65,331
Interest expense	112,069	106,285
Total expenses recognized in profit or loss	**127,781**	**220,184**

(Gains)/losses recognized in other comprehensive income for the period:

	Year ended	
	31 December 2018	**31 December 2017**
Loss/(gain) from change in demographic actuarial assumptions	(4,494)	(141)
(Gain)/loss from change in financial actuarial assumptions	(162,792)	67,622
(Gain)/loss from experience adjustment	114,584	120,588
Total (gain)/loss recognized in other comprehensive income	**(52,702)**	**188,069**

(in thousands of Russian Roubles, unless otherwise stated)

24. Employee Benefits (continued)

Changes in the revaluation reserve for liabilities in other comprehensive income during the reporting period:

	Year ended 31 December 2018	Year ended 31 December 2017
Remeasurements at 1 January	**1,046,712**	**858,643**
Movement of remeasurements	(52,702)	188,069
Remeasurements at 31 December	**994,010**	**1,046,712**

The key actuarial assumptions are as follows:

	31 December 2018	31 December 2017
Financial assumptions		
Discount rate	8.7%	7.5%
Future salary increase	4.1%	4.0%
Inflation rate	4.6%	4.5%
Demographic assumptions		
Expected age of retirement		
- men	65	61
- women	60	57
Average level of staff movement	7.1%	6.3%

A sensitivity of total employee pension obligations to changes in the key actuarial assumptions is as follows:

	Changes in the assumptions	Impact on obligations
Discount rate	Increase by 0.5%	-5.3%
Future salary growth	Increase by 0.5%	2.6%
Future growth of benefits (inflation)	Increase by 0.5%	3.2%
Level of staff movement	Increase by 10%	-2.5%
Mortality level	Increase by 10%	-1.4%

	31 December 2018	31 December 2017
Value of the employee benefit plans obligations	(1,585,156)	(1,681,087)
Value of assets	476,895	509,234
Net value	**(1,108,261)**	**(1,171,853)**

Expected payments under the defined long-term employee benefit plans to employees in 2019 are RUB 137,448 thousand including:

- RUB 112,681 thousand under the defined benefit plan including non-state pension schemes;
- RUB 24,768 thousand under the other long-term employee benefit schemes.

(in thousands of Russian Roubles, unless otherwise stated)

25. Trade and other payables

	31 December 2018	31 December 2017
Non-current payables		
Trade payables	8,970	–
Other payables	8,590	9,777
Total financial liabilities	**17,560**	**9,777**
Advances from customers	447,906	789,754
	465,466	**799,531**
Current payables		
Trade payables	3,957,575	3,838,188
Other payables and accrued expenses	70,278	48,764
Payables to employees	859,561	837,424
Dividends payable	34,199	12,548
Total financial liabilities	**4,921,613**	**4,736,924**
Advances from customers	414,241	465,130
	5,335,854	**5,202,054**
Tax payable		
VAT	738,017	1,020,885
Property tax	218,480	176,020
Social security contributions	238,232	228,362
Other taxes payable	106,866	133,075
	1,301,595	**1,558,342**
	6,637,449	**6,760,396**

Information about the Group's exposure to liquidity risk related to payables is disclosed in Note 27.

Long-term advances from customers include advances for technological connection services of RUB 410,648 thousand as at 31 December 2018 (as at 31 December 2017: RUB 782,815 thousand).

26. Provisions

	Year ended 31 December	
	2018	2017
Balance at 1 January	**(6,781)**	**(21,391)**
Increase for the year	(29,663)	(23,451)
Decrease due to reversal of provisions	4,082	10,407
Provisions used	6,249	27,654
Balance at 31 December	**(26,113)**	**(6,781)**

Provisions relate mainly to legal proceedings and claims against the Group in the day-to-day operations of business.

27. Financial risk and capital management

In the course of its ordinary business activities, the Group is exposed to various financial risks including but not limited to as follows: market risk (currency risk, interest risk and price risk), credit risk and liquidity risk.

This note provides information about the Group's exposure to each of these risks, discusses the objectives, policies and procedures for assessing and managing risks, as well as the Group's capital management system. More detailed quantitative data are disclosed in the relevant sections of these consolidated financial statements.

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.

a) Credit risk

Credit risk is the risk of financial losses to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

i. Trade and other receivables

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

The Group's credit risk exposure mainly depends on the individual characteristics of customers. The Group takes appropriate measures for the timely collection of receivables. In order to implement measures to reduce and prevent the growth of accounts receivable, the debt is divided mainly into current, overdue, doubtful and bad. When monitoring credit risk, customers are grouped by type of receivables and maturities. The Group establishes a provision for impairment on trade and other receivables, the estimated value of which is determined based on the model of expected default-based credit losses, and can be adjusted upwards or downwards. To do this, the Group evaluates the creditworthiness of customers, the debt repayment, takes into account changes in the terms of payment, the availability of letters of guarantee about debt repayment, the current general economic environment.

The receivables reflect the debt of consumers of services for the transmission of electricity, the repayment of which will be made in accordance with the Agreements on debt restructuring: PJSC Ulyanovskenergo - 474,412, JSC "RT-Energotrading" - RUB 261,216 thousand with maturity until 2022.

(in thousands of Russian Roubles, unless otherwise stated)

27. Financial risk and capital management (continued)

(a) Credit risk (continued)

Exposure to credit risk

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

	Carrying amount	
	31 December 2018	**31 December 2017**
Available-for-sale financial assets	–	113
Financial assets at fair value through other comprehensive income	104	–
Trade and other receivables (less provision for impairment)	7,653,545	7,415,530
Cash and cash equivalents	1,951,998	3,847,013
	9,605,647	**11,262,656**

The maximum exposure to credit risk for trade receivables (net of other receivables) at the reporting date by type of customer was as follows:

	Total nominal value	**Impairment loss**	**Total nominal value**	**Provision for impairment**
	31 December 2018	**31 December 2018**	**31 December 2017**	**31 December 2017**
Electricity sales customers	51.928	(51.928)	66.991	(66.991)
Electricity transmission customers	7,664,477	(681,647)	7,606,049	(649,906)
Heat power sales customers	51,247	(50,506)	51,247	(50,566)
Connection services customers	31,729	(10,501)	38,036	(9,918)
Other revenue	155,839	(8,726)	61,010	(13,927)
	7,955,220	**(803,308)**	**7,823,333**	**(791,308)**

The Group's ten most significant debtors account for RUB 5,645,874 thousand of the trade receivables carrying amount as at 31 December 2018 (as at 31 December 2017: RUB 5,945,240 thousand).

(in thousands of Russian Roubles, unless otherwise stated)

27. Financial risk and capital management (continued)

(a) Credit risk (continued)

Impairment losses of trade and other receivables

The aging of trade and other receivables is provided below:

	Total nominal value	Impairment loss	Total nominal value	Provision for impairment
	31 December 2018	**31 December 2018**	**31 December 2017**	**31 December 2017**
Not past due	6,119,941	(3,133)	4,865,533	(5,095)
Past due less than 3 months	1,093,599	(8,358)	1,763,965	(12,892)
Past due more than 3 months and less than 6 months	206,305	(9,324)	278,673	(11,925)
Past due more than 6 months and less than 1 year	238,575	(27,144)	182,896	(105,813)
Past due more than 1 year	888,464	(845,378)	1,214,926	(754,738)
	8,546,884	**(893,337)**	**8,305,993**	**(890,463)**

The Group found that not impaired past due accounts receivable are recoverable with high level of probability at the reporting date.

The movement in the provision for impairment of trade and other receivables (provision for impairment of receivables in accordance with IAS 39) was as follows:

	Year ended and as at 31 December 2018	Year ended and as at 31 December 2017
As at 1 January in accordance with IAS 39		**(948,330)**
Opening balance for impairment provision at 1 January 2018 in accordance with IFRS 9	**(890,463)**	
Increase in provision for the period	(106,761)	(365,155)
Trade and other receivables written off against previously accrued provision	29,346	401,039
Provision reversal for the period	74,539	21,983
Balance at 31 December	**(893,339)**	
At 31 December, 2017, in accordance with IAS 39		**(890,463)**

As at 31 December 2018 and 31 December 2017, the Group did not enter into off-set agreements of financial assets and financial liabilities. The Group management also does not consider future off-sets under additional agreements.

27. Financial risk and capital management (continued)

b) Liquidity risk

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

Management of liquidity risk involves maintaining sufficient cash and the availability of financial resources by securing credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Basically temporarily free funds invested in the short-term financial instruments such as bank deposits.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, 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 amount of free limit on open but unused credit lines of the Group was RUB 16,630,000 thousand as at 31 December 2018 (31 December 2017: RUB 6,630,000 thousand). The Group has opportunity to attract additional financing within the corresponding limits including for the purpose of execution of the short-term obligations.

(in thousands of Russian Roubles, unless otherwise stated)

27. Financial risk and capital management (continued)

(b) Liquidity risk (continued)

Below is information about the contractual repayment dates of financial liabilities, taking into account the expected interest payments and without taking into account set-offs. Cash flows included in the maturity analysis are not supposed to arise much earlier in time or in significantly different amounts:

31 December 2018	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-3 years
Financial liabilities					
Loans and borrowings	**3,382,353**	3,982,230	266,673	254,320	3,461,237
Trade and other payables	**4,939,173**	4,930,305	4,919,722	10,560	23
	8,321,526	**8,912,535**	**5,186,395**	**264,880**	**3,461,260**

31 December 2017	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-3 years
Financial liabilities					
Loans and borrowings	**4,375,855**	5,182,674	362,010	2,725,097	2,095,567
Trade and other payables	**4,746,701**	4,735,639	4,735,358	278	3
	9,122,556	**9,918,313**	**5,097,368**	**2,725,375**	**2,095,570**

27. Financial risk and capital management (continued)

c) Market risk

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

i. Currency risk

The majority of the Group's revenues and expenditures, monetary assets and liabilities are denominated in Russian Rubles. As such, the Group's income and expenses are insignificantly impacted by changes in exchange rates.

ii. Interest rate risk

Changes in interest rates primarily influence loans and borrowings since they change their fair values (loans and borrowings with fixed rates) or future cash flows (loans and borrowings with variable rate). The Group management does not have a formal policy for determining how much of loans and borrowings should be to fixed or variable rates. However, when making a decision about new loans and borrowings, the Group management gives priority to loans and borrowings with fixed rates, and as a result, the Group is exposed to interest rate risk to a limited extent.

As a rule, loan agreements entered into by the Group do not contain any charges by creditor's banks for the early repayment of loans on the borrower's initiative which facilitates additional flexibility for the Group in relation to optimizing interest rates in the current economic environment.

Fair value sensitivity analysis for fixed rate instruments

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

iii. Other price risk

The risk of a change in the price of equity instruments arises in relation to equity securities measured at fair value through other comprehensive income. The Group management monitors changes in the value of the investment portfolio based on market indices. Significant investments in this portfolio are managed separately, and all purchasing and selling decisions are approved by the Group management.

As at 31 December, 2018, financial assets at fair value through other comprehensive income, subject to the risk of changes in the share price, amounted to RUB 104 thousand (December 31, 2017: RUB 113 thousand).

(in thousands of Russian Roubles, unless otherwise stated)

27. Financial risk and capital management (continued)

d) Fair value and carrying amount

The fair values of financial assets and liabilities together with the carrying amounts, except those financial instruments, the carrying amount of which corresponds to their fair values, are as follows:

		31 December 2018		Hierarchy level of fair value measurement		
Financial instruments	**Note**	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Financial assets at fair value through other comprehensive income	15	104	104	104	–	–
Short-term and long-term loans and borrowings	22	(3,382,353)	(3,255,984)	–	(3,255,984)	–
		(3,382,249)	**(3,255,880)**	**104**	**(3,255,984)**	**–**

		31 December 2017		Hierarchy level of fair value measurement		
Financial instruments	**Note**	**Carrying amount**	**Fair value**	**1**	**2**	**3**
Available-for-sale financial assets	15	113	113	113	–	–
Short-term and long-term loans and borrowings	22	(4,375,855)	(4,233,778)	–	(4,233,778)	–
		(4,375,742)	**(4,233,665)**	**113**	**(4,233,778)**	**–**

The interest rate used to discount estimated cash flows for non-current and current debt for the determination of fair value as at 31 December 2018 was 9.16% (31 December 2017: 9.74%).

There were no transfers between the fair value hierarchy levels during 2018.

The reconciliation of the carrying amount of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at the beginning and end of the reporting period is in the table below:

	Financial assets at fair value through other comprehensive income
As at 1 January 2018	**113**
Acquisition	–
Change in the fair value recognized in other comprehensive income	(9)
As at 31 December 2018	**104**

(in thousands of Russian Roubles, unless otherwise stated)

27. Financial risk and capital management (continued)

e) Capital management

The main goal of capital management for the Group is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors the capital structure (debt and own) including the debt-to-capital ratio (target leverage ratio) determined in accordance with the Russian Accounting Principles. In accordance with the credit policy, the Group companies must maintain the debt-to-capital ratio, calculated as the ratio of total borrowings to total capital, less than 1.

The Company and its subsidiaries must comply with the capital requirements under which net assets in accordance with the Russian Accounting Principles must exceed its share capital.

As at 31 December 2018 and 2017, the Group complied with the requirements.

28. Operating leases

Operating lease expenses for the year ended 31 December, 2018 are recorded as operating expenses in the amount of RUB 390,799 thousand (for the year ended 31 December, 2017: in the amount of RUB 379,545 thousand).

Operating lease rentals are payable as follows:

	31 December 2018	**31 December 2017**
Less than 1 year	389,257	370,670
Between 1 and 5 years	1,383,447	526,653
More than 5 years	1,305,494	2,281,118
	3,078,198	**3,178,441**

29. Capital commitments

As at 31 December 2018, the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment items for RUB 1,180,047 thousand VAT inclusive (as at 31 December 2017: RUB 884,957 thousand VAT inclusive).

30. Contingencies

a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurance risks. The main business assets of the Group have insurance coverage including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and the financial position of the Group in the case of damage caused to third parties, and also as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

30. Contingencies (continued)

b) Taxation contingencies

Russian tax and customs legislation is subject to varying interpretations regarding the operations and activities of the Group. Accordingly, management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually strengthening. In particular, the risk of checking the tax aspect of transactions without obvious economic sense or with counterparties that violate tax laws is growing. Tax audits may cover the three calendar years preceding the year of the decision on the tax audit. However, under certain circumstances a tax year may remain open longer.

From 1 January 2012, a new transfer pricing legislation came into force, which significantly changed the transfer pricing rules, bringing them closer to the principles of organizing economic cooperation and development (OECD), but also creating additional uncertainty due to the practical application of tax legislation in certain cases.

The practice of applying transfer pricing rules by tax authorities and courts is absent, since tax inspections for compliance with new transfer pricing rules have begun recently. However, transactions that are subject to transfer pricing rules are expected to be subject to detailed scrutiny, which could potentially affect these consolidated financial statements.

As the practice of applying the rules for property taxation, tax authorities and the courts, the criteria for classifying property as movable or immovable property used by the Group may be challenged. The Group management cannot predict the outcome and amount of potential costs to settle potential tax risks.

At 31 December, 2018, management believes that the relevant provisions of the law are interpreted correctly, and the position of the Group in terms of compliance with tax, currency and customs legislation can be justified and protected.

c) Litigations

The Group is a party to certain legal proceedings (both as a plaintiff and as a defendant) arising in the ordinary course of business. In the management's opinion, there are no actual litigations or other claims which could materially influence the performance or financial position of the Group and which wouldn't be recognized or disclosed in these consolidated financial statements.

As at 31 December 2018, the Group has disagreements with customers on services for the transmission of electricity in the amount of RUB 507,060 thousand (as at 31 December 2017 in the amount of RUB 106,744 thousand), the consent of the parties for which is reached in court. Disagreements arise in terms of productive supply due to different approaches to its calculation, applied tariffs (prices) and points of accounting (supply). The judiciary may agree with the position of consumers.

Differences in the calculations of physical indicators of electricity transmission services affect the calculation of natural indicators acquired by the Company from electricity supply companies to compensate for losses in the grids. Accounts receivable for electricity transmission services, which are challenged by consumers, subject to negative judicial practice in the relevant disputes, are included in provisions for doubtful debts, and the amounts of unrecognized debt for purchased electricity for compensation for losses in such cases are included in the estimated liabilities. At the same time, disputes on obligations to pay electricity for compensation for losses in court are often not considered and settled by the parties after the dispute is resolved in terms of revenue.

(in thousands of Russian Roubles, unless otherwise stated)

30. Contingencies (continued)

d) Environmental Obligations

The Group has been active in the electric power industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to evolve, the responsibilities of the authorized state bodies for supervision over its observance are reviewed. Potential environmental obligations arising from changes in interpretations of existing legislation, lawsuits or changes in legislation cannot be assessed. Management believes that under the existing control system and under current legislation there are no probable liabilities that could have a material adverse effect on the financial position, performance or cash flows of the Group.

31. Related party transactions

a) Control relationships

Related parties include shareholders, affiliates and entities under common ownership and control of the Group and members of the Board of Directors and key management personnel of the Company. The Company's parent as at 31 December 2018 and 31 December 2017 was PJSC ROSSETI. The party with the ultimate control is the Federal Agency for State Property Management which held the majority of the voting rights of PJSC ROSSETI.

b) Transactions with the parent, its subsidiaries and associates

Transactions with the parent, its subsidiaries and associates include transactions with PJSC ROSSETI, its subsidiaries and associates:

	Transaction amount for the year ended 31 December		Carrying amount	
	2018	2017	31 December 2018	31 December 2017
Revenue, net other income, finance income				
Parent				
Other revenue	1,086	1,086	–	–
Entities under common control of the parent				
Electricity transmission				
Services for technological connection to electric grids	2	–	–	–
Other revenue	104,633	31,611	107,082	7,370
Other income, net	27,909	–	41,462	–
Dividends receivable	2	–	–	–
	133,632	**32,697**	**148,544**	**7,370**

(in thousands of Russian Roubles, unless otherwise stated)

31. Related party transactions (continued)

(b) Transactions with the parent, its subsidiaries and associates

	Transaction amount for the year ended 31 December		Carrying amount	
	2018	**2017**	**31 December 2018**	**31 December 2017**
Operating expenses, finance costs				
Parent				
Consulting, legal and audit services	(161,564)	(249,827)	(29,644)	(14,169)
Other production works and services	(30,313)	–	–	–
Entities under common control of the parent				
Electricity transmission services	(13,275,480)	(11,864,923)	(1,286,678)	(1,306,157)
Services for technological connection to electric grids	(1,877)	(672)	–	–
Other expenses	(119,073)	(59,582)	(50,664)	(13,518)
	(13,588,307)	**(12,175,004)**	**(1,366,986)**	**(1,333,844)**

	Carrying amount	
	31 December 2018	**31 December 2017**
Entities under common control of the parent		
Advances given	12,606	12,155
Advances received	(32)	(32)
	12,574	**12,123**

There are no dividends payable to the parent as at 31 December 2018.

c) Transactions with key management personnel

The key management personnel for the purpose of preparation of these consolidated financial statements are members of the Board of Directors, members of the Management Board, General Director of the Company and its deputies.

The Group has no transactions and balances with key management personnel and close family members except their remuneration in the form of salary and bonuses.

The amounts of key management personnel remuneration disclosed in the table are recognized as an expense related to key management personnel during the reporting period and included in personnel costs.

	Year ended 31 December	
	2018	**2017**
Short-term remuneration to personnel	109,033	112,429
	109,033	**112,429**

As at 31 December 2018 the present value of defined benefit plans obligations recognized in the consolidated statement of financial position included obligations in respect of key management personnel in the amount of RUB 2,690 thousand (31 December 2017: RUB 725 thousand).

31. Related party transactions (continued)

d) Transactions with government-related entities

In the course of its operating activities the Group is engaged in many transactions with government-related entities. The transactions are carried out in accordance with regulated tariffs or based on market prices.

Revenues from government-related parties for the year ended 31 December 2018 constitute 20% (for the year ended 31 December 2017: 19%) of total Group revenues, including 20% of electricity transmission revenues (2017: 19%).

Electricity transmission costs, compensation of technological losses for government-related entities for the year ended 31 December 2018 constitute 10% of total electricity transmission costs (2017: 10%).

Interest accrued on loans and borrowings from government-related banks for the year ended 31 December 2018 amounted to 100% of total interest accrued (2017: 100%).

As at 31 December 2018, the cash and cash equivalents balances placed with government-related banks amounted to RUB 198,763 thousand (as at 31 December 2017: RUB 3,698,269 thousand).

Information about loans and borrowings received from government-related banks is disclosed in Note 22.

32. Events after the reporting date

Events after the reporting date, which should be reflected in the consolidated financial statements for the reporting period, have not been identified.