



**JSC Interregional Distribution Grid
Companies Holding**

**Consolidated Financial Statements
for the year ended 31 December 2009**

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Independent Auditors' Report

To the Board of Directors of JSC IDGC Holding

We have audited the accompanying consolidated financial statements of Joint Stock Company IDGC Holding (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

We did not observe the counting of inventories stated at RUR 10,346,068 thousand as at 31 December 2007 because we were engaged as auditors of the Group only after that date. It was impracticable to satisfy ourselves as to those inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to operating expenses, income tax expense and profit for the year ended 31 December 2008.

Qualified Opinion

In our opinion, except for the effects on the corresponding figures of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



ZAO KPMG
17 June 2010

JSC IDGC Holding
Consolidated Statement of Comprehensive Income for the year ended 31 December 2009
(in thousands of Russian roubles, unless otherwise stated)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Revenue and government subsidies	6	461,659,760	397,881,732
Operating expenses	7	(415,844,063)	(367,673,182)
Other income, net	8	193,873	2,281,407
Results from operating activities		46,009,570	32,489,957
Finance income	10	1,331,447	6,634,606
Finance costs	10	(19,256,514)	(12,502,281)
Net finance costs		(17,925,067)	(5,867,675)
Share of profit of equity accounted investees (net of income tax)	14	97,689	20,519
Profit before income tax		28,182,192	26,642,801
Income tax expense	11	(6,430,302)	(6,880,491)
Profit for the year		21,751,890	19,762,310
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		675,628	(1,297,948)
Income tax on other comprehensive income		(115,602)	316,509
Other comprehensive income for the year, net of income tax		560,026	(981,439)
Total comprehensive income for the year		22,311,916	18,780,871
Profit attributable to:			
Owners of the Company		13,821,100	11,040,869
Minority interest		7,930,790	8,721,441
Total comprehensive income attributable to:			
Owners of the Company		14,381,126	10,059,430
Minority interest		7,930,790	8,721,441
Earnings per share	21		
Basic and diluted earnings per ordinary share		RUR 0.32	RUR 0.26

These consolidated statements were approved by management on 17 June 2010 and were signed on its behalf by:

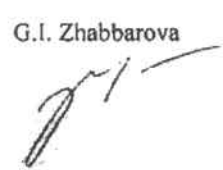
Deputy General Director, Economics and Finance

A.V. Demidov



Chief Accountant

G.I. Zhabbarova



The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 12 to 69.

JSC IDGC Holding
Consolidated Statement of Financial Position as at 31 December 2009
(in thousands of Russian roubles, unless otherwise stated)

	Notes	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	12	561,945,336	530,381,403
Intangible assets	13	4,184,820	3,882,771
Investments in equity accounted investees	14	729,024	631,335
Non-current accounts receivable	18	22,668,401	23,656,706
Other investments and financial assets	15	6,587,362	7,681,296
Deferred tax assets	16	4,452,131	4,233,367
Total non-current assets		600,567,074	570,466,878
Current assets			
Inventories	17	11,314,993	11,941,159
Other investments and financial assets	15	6,001,030	2,893,745
Current tax assets		2,029,643	1,329,355
Trade and other receivables	18	71,004,191	64,769,931
Cash and cash equivalents	19	29,217,245	19,514,706
Total current assets		119,567,102	100,448,896
Total assets		720,134,176	670,915,774

JSC IDGC Holding
Consolidated Statement of Financial Position as at 31 December 2009
(in thousands of Russian roubles, unless otherwise stated)

	Notes	31 December 2009	31 December 2008
EQUITY AND LIABILITIES			
Equity	20		
Share capital		43,109,892	43,116,903
Reserves		801,908	241,882
Retained earnings		162,504,785	148,239,509
Total equity attributable to equity holders of the Company		206,416,585	191,598,294
Minority interest		149,809,735	137,168,385
Total equity		356,226,320	328,766,679
Non-current liabilities			
Loans and borrowings	22	83,823,134	87,055,703
Trade and other payables	25	41,466,975	63,506,312
Employee benefits	23	7,998,158	7,621,034
Deferred tax liabilities	16	27,414,778	28,492,228
Total non-current liabilities		160,703,045	186,675,277
Current liabilities			
Loans and borrowings	22	67,242,221	55,473,672
Trade and other payables	25	133,920,485	96,861,873
Provisions	24	919,958	1,081,941
Current tax liabilities		1,122,147	2,056,332
Total current liabilities		203,204,811	155,473,818
Total liabilities		363,907,856	342,149,095
Total equity and liabilities		720,134,176	670,915,774

JSC IDGC Holding
Consolidated Statement of Cash Flows for the year ended 31 December 2009
(in thousands of Russian roubles, unless otherwise stated)

	Year ended 31 December 2009	Year ended 31 December 2008
OPERATING ACTIVITIES		
Profit for the year	21,751,890	19,762,310
<i>Adjustments for:</i>		
Depreciation and amortization	40,328,863	33,884,624
Change in allowance for doubtful debts and written-off trade and other receivables	5,921,072	4,927,500
Finance costs	19,256,514	12,502,281
Finance income	(1,331,447)	(6,634,606)
Loss/(gain) on disposal of property, plant and equipment	785,603	(824,043)
Share of profit of equity accounted investees (net of income tax)	(97,689)	(20,519)
Write-off of inventories	138,314	145,613
Other non-cash transactions	(356,221)	(993,045)
Income tax expense	6,430,302	6,880,491
Operating profit before working capital changes and reserves	92,827,201	69,630,606
Change in trade and other receivables	(10,404,537)	(26,245,700)
Change in financial assets related to employee benefit fund	(861,662)	(1,677,346)
Change in inventories	441,698	(2,500,500)
Change in trade and other payables	12,015,521	51,173,575
Change in employee benefit liabilities	377,124	495,763
Cash flows from operations before income taxes and interest paid	94,395,345	90,876,398
Income taxes paid	(9,652,013)	(12,231,148)
Interest paid	(16,760,438)	(9,239,401)
Net cash flows from operating activities	67,982,894	69,405,849

JSC IDGC Holding
Consolidated Statement of Cash Flows for the year ended 31 December 2009
(in thousands of Russian roubles, unless otherwise stated)

	Year ended 31 December 2009	Year ended 31 December 2008
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(65,117,544)	(116,368,464)
Proceeds from sale of property, plant and equipment	2,413,534	2,480,512
Acquisition of investments	(5,542,647)	(2,548,616)
Proceeds from the sale of investments	4,194,825	10,018,397
Acquisition of subsidiaries net of cash acquired	8,603	(794,071)
Repayments/(issuance) of loans given to the third parties	502,781	(300,677)
Repayment of bank deposits	-	4,305,716
Placement of bank deposits	-	(2,419,000)
Dividend received	14,625	23,992
Interest received	537,979	932,059
Net cash flows used in investing activities	(62,987,844)	(104,670,152)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	130,899,421	133,600,660
Repayment of loans and borrowings	(119,403,198)	(84,625,367)
Proceeds from shares issued to minority interest	4,643,639	-
Acquisition of minority interests	(17,385)	-
Advance contributions for shares issued repaid	-	(10,018)
Dividends paid	(255,258)	(520,091)
Payment of finance lease liabilities	(11,159,730)	(10,724,331)
Net cash flows from financing activities	4,707,489	37,720,853
Net increase in cash and cash equivalents	9,702,539	2,456,550
Cash and cash equivalents at beginning of year	19,514,706	17,058,156
Cash and cash equivalents at end of year (Note 19)	29,217,245	19,514,706

Attributable to equity holders of the Company						
	Share capital	Available-for-sale investments revaluation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2008	43,116,903	1,223,321	137,242,858	181,583,082	121,343,576	302,926,658
Profit for the year	-	-	11,040,869	11,040,869	8,721,441	19,762,310
Net change in fair value of available-for-sale financial assets	-	(1,297,948)	-	(1,297,948)	-	(1,297,948)
Income tax on other comprehensive income	-	316,509	-	316,509	-	316,509
Total comprehensive income for the year	-	(981,439)	11,040,869	10,059,430	8,721,441	18,780,871
Transactions with owners, recorded directly in equity						
Effect of changes in minority interest (see Note 20)	-	-	(1,617,940)	(1,617,940)	1,617,940	-
Acquisition of subsidiary	-	-	-	-	(134,774)	(134,774)
Dividends to RAO UES of Russia	-	-	(297,484)	(297,484)	-	(297,484)
Dividends to minority interest shareholders	-	-	-	-	(162,531)	(162,531)
Issue of shares (see Note 20)	-	-	-	-	5,782,733	5,782,733
Other transactions with owners (see Note 20)	-	-	1,871,206	1,871,206	-	1,871,206
Total transactions with owners, recorded directly in equity	-	-	(44,218)	(44,218)	7,103,368	7,059,150
Balance at 31 December 2008	43,116,903	241,882	148,239,509	191,598,294	137,168,385	328,766,679

	Attributable to equity holders of the Company					
	Share capital	Available-for-sale investments revaluation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2009	43,116,903	241,882	148,239,509	191,598,294	137,168,385	328,766,679
Profit for the year	-	-	13,821,100	13,821,100	7,930,790	21,751,890
Net change in fair value of available-for-sale financial assets	-	675,628	-	675,628	-	675,628
Income tax on other comprehensive income	-	(115,602)	-	(115,602)	-	(115,602)
Total comprehensive income for the year	-	560,026	13,821,100	14,381,126	7,930,790	22,311,916
Transactions with owners, recorded directly in equity						
Own shares acquired	(7,011)	-	-	(7,011)	-	(7,011)
Dividends	-	-	-	-	(222,196)	(222,196)
Effect on changes in minority interest (see Note 20)	-	-	(258,602)	(258,602)	246,972	(11,630)
Issue of shares (see Note 20)	-	-	-	-	4,637,884	4,637,884
Total transactions with owners, recorded directly in equity	(7,011)	-	(258,602)	(265,613)	4,662,660	4,397,047
Other movements	-	-	702,778	702,778	47,900	750,678
Balance at 31 December 2009	43,109,892	801,908	162,504,785	206,416,585	149,809,735	356,226,320

1 Background

(a) The Group and its operations

Joint Stock Company Interregional Distribution Grid Companies Holding (hereinafter referred to as “JSC IDGC Holding” or the “Company”) was established on 1 July 2008 in accordance with the resolution of the Extraordinary General Meeting of the Shareholders of the Unified Energy System of Russia (hereinafter referred to as “RAO UES”) dated 26 October 2007 by the means of spin-off from RAO UES.

The ordinary and preference shares of the Company are traded on the MICEX Stock Exchange and the RTS.

The Company’s registered office is located at 5A Akademika Chelomeya street, Moscow, Russia, 117630.

The JSC IDGC Holding Group (hereinafter referred to as “the Group”) comprises JSC IDGC Holding and its subsidiaries presented in Note 31.

The Group’s principal activities are electricity distribution and technological connection services. In addition some Group’s subsidiaries sale electricity.

(b) Formation of the Group

The Company was established in the course of the Russian electric utilities industry reform discussed further below, to ensure unified quality standards for electro-grid services and to provide technological, economic and financial control over the distribution grid complex, creating the conditions for high reliability and availability of the distribution grid infrastructure for the consumers in all the regions of the Russian Federation.

The formation of the interregional distribution grid companies, which were formed as a result of the disaggregation of activities of AO-Energos during the reform, was completed in 2008.

On 1 July 2008 the reorganization of RAO UES was completed. As a result RAO UES ceased to exist as a legal entity and JSC IDGC Holding became one of its legal successors on demerger. On that date RAO UES transferred to JSC IDGC Holding the shares in 11 interregional distribution grid companies (hereinafter referred to as “IDGCs”), 5 regional distribution companies and 7 regional retail electricity companies.

On 1 July 2008 as a result of RAO UES of Russia’s reorganisation the shares of the Company were split between the remaining shareholders of RAO UES proportionate to their existing ownership. The structure of the share capital of the newly created company, therefore, mirrored the structure of the share capital of RAO UES.

(c) Russian business environment

The Russian Federation has been experiencing political and economic changes that have affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These

consolidated 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.

(d) Relations with state and current regulations

The Group's strategic business units (see Note 5) are regional natural monopolies. The Russian Government directly affects the Group's operations through the system of regional tariffs.

In accordance with legislation the Group's tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commission in each region.

As at 31 December 2009 the Russian Government owned 54.99% of the voting ordinary shares and 7.01 % of the preference shares of the Company. The Russian Government, through the Federal Agency for the Management of Federal Property, is the ultimate controlling party of the Company. The Russian Government supports the Group due to its strategic position for economy of the Russian Federation. The Group's customer base includes a number of state-controlled entities.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that derivative financial instruments and financial investments classified as available-for-sale are stated at fair value.

(c) Functional and presentation currency

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

(d) Use of judgments, estimates and assumptions

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

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

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

- Note 16 – deferred tax assets
- Note 26 – allowances for trade and other receivables
- Note 22 – lease classification

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 6 – revenue recognition
- Note 12 – useful lives of property, plant and equipment
- Note 23 – employee benefit liabilities
- Note 29 – contingencies.

(e) Changes in accounting policies and presentation

With effect from 1 January 2009, the Group changed its accounting policies in the following areas:

- determination and presentation of operating segments;
- presentation of financial statements; and
- related party disclosures.

(i) Determination and presentation of operating segments

As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Management Board, which is the Group's chief operating decision making body. This change in accounting policy is due to the adoption of International Financial Reporting Standard 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with International Financial Reporting Standard IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Management Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment financial information that is reported to the Management Board, includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office revenue, EBITDA, assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(ii) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as at 1 January 2009. The revised standard requires a presentation of all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(iii) Related party disclosures

With the effect from 1 January 2009 the Group early adopted the revised IAS 24 *Related Party Disclosures (2009)* which introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated statements, and have been applied consistently by Group entities, except as explained in Note 2 (e), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current years presentation (see Notes 18 and 25).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

(ii) 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 as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the acquired entities. The components of equity are added to the same components within Group entity, except that any share capital of the acquired entities is recognized as part of retained earnings. Any cash or other contribution paid for the acquisition is recognized directly in equity.

(iii) *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. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses 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 associate, the carrying amount of that interest (including any non-current investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) *Transactions eliminated on consolidation*

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

(b) *Foreign currency*

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) *Financial instruments*

(i) *Non-derivative financial instruments*

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

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

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

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

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

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

Cash and cash equivalents comprise cash balances with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 3(i)(i) and foreign currency differences on available-for-sale debt instruments (see Note 3(b)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be reliably measured are stated at cost less impairment losses.

(ii) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

(iii) *Derivative financial instruments*

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in fair value of separable embedded derivatives are recognised immediately in profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

(d) *Share capital*

Ordinary shares and non-redeemable preferred shares with the right to receive discretionary annual fixed dividends are both classified as equity.

(e) *Property, plant and equipment*

(i) *Recognition and measurement*

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment as at 1 January 2007, the date of transition to IFRSs, was determined by reference to its fair value at that date.

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

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

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 recognised net within "other income" or "other expense" in profit or loss.

(ii) *Subsequent costs*

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

(iii) Depreciation

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

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

- buildings 7-50 years
- transmission networks 5-40 years
- equipment for electricity transmission 5-40 years
- other 1-50 years

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

(f) Intangible assets

(i) Goodwill

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

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the difference between the cost of acquisition and the Group's interest in the net fair value of identifiable assets is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(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.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- licenses and certificates 1-10 years
- software 1-15 years.

(g) Leased assets

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

Other leases are operating leases and the leased assets are not recognised in the statement of financial position.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Impairment

(i) Financial assets

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

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

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

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, impairment losses on equity investments are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity investments is recognised in other comprehensive income.

(ii) *Non-financial assets*

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 that are expected to benefit from the synergies of the combination.

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

(j) *Employee benefits*

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further

amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) *Defined benefit post-employment plans*

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

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

The Group recognises all actuarial gains and losses in profit or loss for the reporting period under the 10% corridor of the post-employment benefit obligation.

(iii) *Other non-current employee benefits*

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

(iv) *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(k) *Provisions*

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

(l) Revenue

(i) *Electricity distribution and sales of electricity*

Revenue from distribution and sales of electricity is recognised in profit or loss when the customer acceptance of the volume of electricity distributed or sold is received. The tariffs for distribution and sales of electricity on regulated market are approved by the government agencies of the constituents of the Russian Federation in the sphere of the state energy tariff regulation within the range of cap and/or floor tariffs approved by the Federal Service on Tariffs.

(ii) *Connection services*

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

Revenue is recognized when electricity is activated and the customer is connected to the grid network, or, for contracts where connection services are performed in stages, revenue is recognized in the proportion to the stage of completion when act of acceptance is signed by the customer.

(iii) *Other services*

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

(m) Government subsidies

Government subsidies that compensate the Group for low electricity tariffs are recognised in profit or loss in the same periods in which the respective revenue is earned.

(n) Other expenses

(i) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under financial leases are apportioned between the financial expense and the reduction of the outstanding liability. The financial expense is 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.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(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 recognised in profit or loss as incurred.

(o) Finance income and costs

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

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

Foreign currency gains and losses are reported on a net basis.

(p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, in which case it is recognised in equity.

Current 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 tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(q) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(r) Guarantees

The Group's policy is to provide financial guarantees only in respect of loans issued to the Group's lessors. The Group considers these instruments as insurance contracts and accounts for them as such.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's operating decision making body to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see Note 2 (e)(i)).

(t) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- Amendment to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* which clarifies that the entity receiving goods or services in a share-based payment transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets is required to recognise the goods or services received in its financial statements. Amendment will come into effect on 1 January 2010. The Group has not yet determined the potential effect of the amendment.
- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements* came into effect on 1 July 2009 (i.e. they become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among other things, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove the exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require the effects of transactions with non-controlling interests to be recognised directly in equity. The Group has not yet determined the potential effect of the amendment.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance on accounting for debt for equity swaps by the debtor. The interpretation clarifies that an entity's equity instruments qualify as "consideration paid" in accordance with paragraph 41 of

International Financial Reporting Standards IAS 39 *Financial Instruments: Recognition and Measurement*. Additionally, the interpretation clarifies how to account for the initial measurement of own equity instruments issued to extinguish a financial liability and how to account for the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued. IFRIC 19 is applicable for annual periods beginning on or after 1 July 2010. The Group has not yet determined the potential effect of the amendment.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Investments in equity and debt securities

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

(b) Trade and other receivables

The fair value of non-current trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Management believes that the fair value of current trade and other receivables approximates their carrying amount. This fair value is determined for disclosure purpose.

(c) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate and currency swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of issued bonds the fair value is determined by reference to their quoted closing price at the reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has twelve reportable segments, as described below, which are the Group's strategic business units. Each strategic business unit offers electricity distribution services including technological connection services in separate geographical region of the Russian Federation and is managed separately. The "other" segment includes insignificant operating segments such as electricity sales, rent services and repair and maintenance services. For each of the strategic business units, the Management Board reviews internal management reports on at least a quarterly basis. Unallocated items comprise assets and balances of the Group which exercise management activity on remuneration basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on earnings before interest expense, income tax and depreciation and amortisation (EBITDA), as included in the internal management reports that are reviewed by the Management Board. EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

Segment reports are based on the information reported in statutory accounts, which differ significantly from the consolidated financial statements prepared under IFRS. 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.

The period commencing 1 January 2009 is the first period in which the Group applied IFRS 8 *Operating Segments*. This standard ordinarily requires that prior year comparative information for segments be restated to conform with requirements of IFRS 8.

Due to the fact that many business units joined the IDGSs during the restructuring of RAO UES in 2008, the Chief Operating Decision Makers of the various entities involved had different mechanisms and formats for considering their business activities for the purposes of allocating resources to segments and assessing their performance. Accordingly, no segment information is presented as at 31 December 2008 as the information is not readily available and the cost to develop it would be excessive.

(i) **Information about reportable segments**

As at and for the year ended 31 December 2009:

	IDGC Siberia and Tomskaya IDGC										Yantar-energo	IDGC Centre	MOESK	Other	Total
	Tyumen-energo	IDGC Urals	IDGC Volga	IDGC South and Kubanenergo	IDGC North Caucasus	IDGC Centre and Privolzhye	IDGC North-West	Lenenergo	Yantar-energo	IDGC Centre					
Revenue from external customers	43,399,607	37,243,875	37,688,162	29,315,917	35,542,027	5,125,312	47,187,053	22,945,863	26,047,185	5,979,288	49,053,134	85,180,355	31,844,314	456,552,092	
Inter-segment revenue	43,391	1,149	3,609,474	2,298	3,432,923	4,854,803	4,238	1,997,763	40,764	90,155	142	52,493	9,875,848	24,005,441	
Total segment revenue	43,442,998	37,245,024	41,297,636	29,318,215	38,974,950	9,980,115	47,191,291	24,943,626	26,087,949	6,069,443	49,053,276	85,232,848	41,720,162	480,557,533	
Including															
<i>Electricity transmission</i>	41,462,942	34,826,570	40,001,175	28,491,849	34,429,663	9,537,526	45,688,548	23,615,965	19,597,004	5,738,039	46,869,934	74,904,182	4,123,076	409,286,473	
<i>Connection services</i>	1,458,577	1,843,064	973,986	393,466	3,150,123	276,519	1,174,790	496,586	6,326,014	191,818	1,646,694	9,469,407	518,555	27,919,599	
<i>Other revenue</i>	521,479	575,390	322,475	432,900	1,395,164	166,070	327,953	831,075	164,931	139,586	536,648	859,259	37,078,531	43,351,461	
Finance income	13,321	76,770	14,599	2,066	14,628	2,208	23,437	9,359	35,279	387	3,121	339,078	137,183	671,436	
Finance costs	(929,986)	(666,023)	(728,621)	(653,454)	(3,176,537)	(33,590)	(799,960)	(652,862)	(773,449)	(154,335)	(1,228,391)	(3,663,643)	(151,619)	(13,612,470)	
Depreciation	3,206,730	3,879,105	2,070,196	3,416,934	3,081,085	1,326,667	3,184,296	2,388,056	3,330,314	161,340	3,996,026	11,046,906	1,082,639	42,170,294	
EBITDA	3,789,305	7,815,292	4,191,512	4,707,846	3,108,698	868,298	5,139,289	3,190,880	8,189,702	541,493	7,629,909	24,804,140	4,148,949	78,125,313	
Segment assets	48,503,421	91,055,287	42,104,581	49,902,963	73,344,768	21,336,215	61,520,650	38,117,473	82,783,852	4,847,161	61,050,075	250,633,660	45,339,152	870,539,258	
<i>Including property, plant and equipment and construction in progress</i>															
Capital expenditure	38,766,198	78,117,912	31,069,663	43,929,594	45,695,836	16,246,693	48,968,494	30,735,985	65,599,381	3,079,305	51,966,026	169,855,045	21,149,475	645,179,607	
Segment liabilities	14,747,584	20,206,307	13,930,390	8,940,207	44,783,937	6,684,533	21,073,872	9,950,681	34,439,819	2,379,413	19,815,559	130,956,733	27,833,112	355,742,147	

(ii) Major customer

Entities which are under the control of the Russian Government are considered as a single customer of the Group. In 2009 revenue from entities under control of the Russian Government represented approximately 28% (RUR 129 009 860 thousand) of the Group's total revenue.

(iii) Reconciliations of reportable segment revenues, EBITDA and assets and liabilities

Reconciliation of key segment items measured as reported to the Management Board with similar items in these Financial statements is presented in the tables below.

Reconciliation of reportable segment revenue is presented below:

	Year ended 31 December 2009
Total segment revenues	480,557,533
Intersegment revenue elimination	(24,055,441)
Reclassification from other income	6,367,420
Other adjustments	(2,178,566)
Unallocated revenues	968,814
Revenues per Consolidated Statement of Comprehensive Income	461,659,760

Reconciliation of reportable segment EBITDA is presented below:

	Year ended 31 December 2009
EBITDA of reportable segments	78,125,313
Adjustment from disposal property, plant and equipment	(88,769)
Adjustment for inventories valuation	(216,562)
Discounting of financial instruments	(335,061)
Bad debt allowance adjustment	(1,471,384)
Adjustments for financial lease	4,287,219
Accrued salaries and wages	(706,436)
Retirement benefit obligations recognition	(377,124)
Assets related to employee benefit fund	449,995
Other provisions	1,385,468
Adjustments for deferred expenses	251,497
Other adjustments	2,690,424
Unallocated	2,134,363
EBITDA per Consolidated Statement of Comprehensive Income	86,128,943
Depreciation and amortization	(40,328,863)
Interest expenses on financial liabilities measured at amortised cost	(12,261,559)
Financial leasing	(5,356,329)
Income tax expense	(6,430,302)
Profit for the year per Consolidated Statement of Comprehensive Income	21,751,890

Reconciliation of reportable segment total assets is presented below:

	31 December 2009
Total segment assets	870,539,258
Intersegment balances	(11,877,510)
Intersegment investments	(8,848,342)
Net-off trade and other receivables and payables	(11,999,855)
Adjustment for net book value of property, plant and equipment	(108,708,020)
Adjustments for finance lease prepayments	714,151
Recognition of assets related to employee benefits	5,070,500
Investments in equity accounted investees	(748,115)
Adjustments for impairment of account receivables	(11,546,013)
Inventories written-off	(1,876,414)
Adjustment due to different accounting principles for deferred tax calculation	2,289,890
Advances given for connection services	(7,135,595)
Other adjustments	(854,065)
Unallocated assets	5,114,306
Total assets per Consolidated Statement of Financial Position	720,134,176

Reconciliation of reportable segment total liabilities is presented below:

	31 December 2009
Total segment liabilities	355,742,147
Intersegment balances	(14,723,102)
Net-off trade and other receivables and payables	(11,999,855)
Adjustment due to different accounting principles for deferred tax calculation	16,097,565
Retirement benefit obligations	7,998,158
Finance lease liabilities	15,182,789
Accrued salaries and wages	3,048,124
Payables for issues of shares (see note 20)	(4,637,884)
Other provisions and accruals	765,852
Other adjustments	(3,916,507)
Unallocated items	350,569
Total liabilities per Consolidated Statement of Financial Position	363,907,856

6 Revenue and government subsidies

	Year ended 31 December 2009	Year ended 31 December 2008
Electricity distribution	395,076,692	326,436,615
Connection services	29,592,614	34,403,117
Electricity sales	25,216,141	21,713,821
Rental income	2,708,268	3,116,599
Repairs and maintenance services	1,621,690	3,555,254
Other revenues	4,832,026	5,489,051
	459,047,431	394,714,457
Government subsidies	2,612,329	3,167,275
	461,659,760	397,881,732

Other revenue is comprised of communication services, transportation services, etc.

Government subsidies

In accordance with government decrees some regions of the Russian Federation are subject to subsidies from the federal budget. These subsidies represent compensation for low electricity tariffs at which electricity is sold in these regions. During the period the Group received government subsidies in the amount of RUR 2,612,329 thousand (2008: RUR 3,167,275 thousand). The Group conducts its operating activities in the following subsidized regions: Republic of Dagestan, Karachayev - Cherkessian Republic and Kaliningrad region.

7 Operating expenses

	Year ended 31 December 2009	Year ended 31 December 2008
Electricity transmission	131,152,764	102,521,277
Purchased electricity for compensation of technological losses	73,505,215	68,125,488
Personnel costs (see Note 9)	71,377,370	62,575,666
Depreciation and amortization	40,328,863	33,884,624
Purchased electricity for resale	18,096,641	15,322,220
Repairs, maintenance and installation services	15,159,867	17,222,574
Raw materials and supplies	11,013,684	11,581,212
Consulting, legal, audit services including professional training	6,892,097	6,470,668
Rent	6,783,408	5,261,573
Allowance for impairment of trade and other receivables	5,921,072	4,594,162
Electricity metering services	6,097,113	11,632,049
Technological connection services	4,130,608	2,440,849
Taxes other than income tax	3,317,645	2,321,397
Transportation	2,987,904	2,868,297
Electricity and heat power for own needs	2,651,596	2,064,600
Insurance	2,390,365	2,607,342
Security services	2,025,886	1,892,455
Telecommunication and information services	1,671,459	1,782,717
Social expenditures and charity expenses	598,740	1,100,439
Taxes and penalties	555,068	214,061
Loss on disposal of inventories	204,698	35,483
Write-off of inventories	138,314	145,613
Other expenses	8,843,686	11,008,416
	415,844,063	367,673,182

Other expenses are comprised of agency services, bank commission, travel allowance, labour safety expense and training expense.

8 Other income, net

	Year ended 31 December 2009	Year ended 31 December 2008
(Loss)/gain on disposal of property, plant and equipment	(785,603)	824,043
Fines and penalties	428,720	283,184
Other income	550,756	1,174,180
	193,873	2,281,407

9 Personnel costs

	Year ended 31 December 2009	Year ended 31 December 2008
Wages and salaries	55,730,882	47,288,290
Payroll taxes	12,960,162	12,475,886
Expense in respect of post-employment defined benefit plan	1,242,556	1,411,590
Expense in respect of long-term service benefits provided	252,590	103,487
Other	1,191,180	1,296,413
	71,377,370	62,575,666

The amount of the contribution to defined contribution plan was RUR 5,768,130 thousand for the year ended 31 December 2009 (2008: RUR 5,331,401 thousand).

10 Finance income and costs

	Year ended 31 December 2009	Year ended 31 December 2008
<i>Finance income</i>		
Interest income on loans and promissory notes	765,037	986,570
Gain on disposal of available-for-sale financial assets transferred from equity	251,630	2,691,724
Effect of discounting of financial instruments	275,888	628,333
Dividend income on available-for-sale financial assets	38,892	31,590
Change in fair value of derivative instrument – interest/currency swap	-	1,887,531
Interest income on bank deposits	-	272,361
Interest income on financial assets related to employee benefit fund	-	136,497
	1,331,447	6,634,606
<i>Finance costs</i>		
Interest expenses on financial liabilities measured at amortised cost	(12,261,559)	(5,917,685)
Financial leasing	(5,356,329)	(3,252,050)
Change in fair value of derivative instrument – interest/currency swap	(816,083)	-
Effect of discounting of financial instruments	(610,949)	(216,327)
Net foreign exchange losses	(172,649)	(837,342)
Impairment loss on bank deposits	-	(1,201,687)
Impairment of available-for-sale financial assets	-	(1,046,609)
Other finance costs	(38,945)	(30,581)
	(19,256,514)	(12,502,281)
Recognised in other comprehensive income		
Net change in fair value of available-for-sale financial assets	675,628	(1,297,948)
Income tax on income and expense recognised in other comprehensive income	(115,602)	316,509
Finance income recognised in other comprehensive income, net of tax	560,026	(981,439)

11 Income tax expense

	Year ended 31 December 2009	Year ended 31 December 2008
<i>Current tax expense</i>		
Current year	(9,370,663)	(12,045,681)
Reversal of tax accruals due to favourable court resolution (see Note 29)	1,226,564	-
Over provided in prior years	301,981	34,355
	(7,842,118)	(12,011,326)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	1,411,816	422,647
Change in tax rate	-	4,708,188
	1,411,816	5,130,835
	(6,430,302)	(6,880,491)

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2008: 24%). With effect from 1 January 2009, the income tax rate for Russian companies has been reduced to 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

Income tax recognised directly in other comprehensive income

	2009			2008		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Available-for-sale financial assets	675,628	(115,602)	560,026	(1,297,948)	316,509	(981,439)
	675,628	(115,602)	560,026	(1,297,948)	316,509	(981,439)

Reconciliation of effective tax rate:

	Year ended 31 December 2009	%	Year ended 31 December 2008	%
Profit before income tax	28,182,192	100	26,642,801	100
Income tax at applicable tax rate	(5,636,438)	(20)	(6,394,272)	(24)
Effect of income taxed at higher rates	17,669	-	11,264	-
Change in tax rate	-	-	4,708,188	18
Non-deductible expenses	(2,340,078)	(8)	(5,240,026)	(20)
Reversal of tax accruals due to favourable court resolution (see Note 29)	1,226,564	4	-	-
Over provided in prior years	301,981	1	34,355	-
	(6,430,302)	(23)	(6,880,491)	(26)

12 Property, plant and equipment

	Land and buildings	Transmis- sion networks	Equipment for electricity transmission	Construc- tion in progress	Other	Total
<i>Cost / Deemed cost</i>						
Balance at 1 January 2008	58,633,065	218,959,778	65,256,283	73,096,139	35,794,303	451,739,568
Acquisitions through business combinations	35,035	386,088	151,968	128,468	46,480	748,039
Additions	2,932,534	6,448,056	8,361,352	118,080,137	3,936,653	139,758,732
Transfer	13,056,200	20,149,980	22,505,833	(69,100,119)	13,388,106	-
Disposals	(399,841)	(524,222)	(282,695)	(839,387)	(2,018,858)	(4,065,003)
Balance at 31 December 2008	74,256,993	245,419,680	95,992,741	121,365,238	51,146,684	588,181,336
Balance at 1 January 2009	74,256,993	245,419,680	95,992,741	121,365,238	51,146,684	588,181,336
Additions	1,542,146	5,562,340	3,937,472	60,032,468	3,045,764	74,120,190
Transfer	13,244,579	24,830,885	25,261,326	(75,356,287)	12,019,497	-
Disposals	(522,256)	(789,796)	(372,956)	(1,139,694)	(1,062,147)	(3,886,849)
Balance at 31 December 2009	88,521,462	275,023,109	124,818,583	104,901,725	65,149,798	658,414,677
<i>Depreciation</i>						
Balance at 1 January 2008	(2,516,620)	(14,394,261)	(4,638,878)	-	(4,118,367)	(25,668,126)
Depreciation charge	(3,181,588)	(16,078,577)	(7,277,074)	-	(6,248,841)	(32,786,080)
Disposals	43,186	88,830	71,228	-	451,029	654,273
Balance at 31 December 2008	(5,655,022)	(30,384,008)	(11,844,724)	-	(9,916,179)	(57,799,933)
Balance at 1 January 2009	(5,655,022)	(30,384,008)	(11,844,724)	-	(9,916,179)	(57,799,933)
Depreciation charge	(4,209,586)	(18,220,651)	(9,039,968)	-	(7,489,621)	(38,959,826)
Disposals	47,868	195,134	38,523	-	8,893	290,418
Balance at 31 December 2009	(9,816,740)	(48,409,525)	(20,846,169)	-	(17,396,907)	(96,469,341)
<i>Net book value</i>						
At 1 January 2008	56,116,445	204,565,517	60,617,405	73,096,139	31,675,936	426,071,442
At 31 December 2008	68,601,971	215,035,672	84,148,017	121,365,238	41,230,505	530,381,403
At 31 December 2009	78,704,722	226,613,584	103,972,414	104,901,725	47,752,891	561,945,336

As at 31 December 2009 construction in progress includes advance payments for property, plant and equipment of RUR 16,391,479 thousand (31 December 2008: RUR 26,871,425 thousand) which are stated net of impairment provision of RUR 176,502 thousand (31 December 2008: RUR 225,566 thousand).

The amount of capitalised interest for the year ended 31 December 2009 was RUR 4,751,693 thousand (2008: RUR 4,150,166 thousand).

Impairment testing

Impairment testing in respect of property, plant and equipment was performed as at 31 December 2009. As a result of impairment testing no impairment loss has been recognised.

Leased equipment and transport

The Group leases production equipment and transport under a number of financial lease agreements. At the end of each of the leases the Group has the option to purchase the equipment. As at 31 December 2009 the net book value of leased property, plant and equipment was RUR 28,875,832 thousand (2008: RUR 28,635,808 thousand). The leased equipment secures lease obligations.

13 Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Certificates and licences</u>	<u>Access rights</u>	<u>Total</u>
<i>Cost</i>					
Balance at 1 January 2008	-	1,618,656	2,048,313	-	3,666,969
Additions	143,042	1,453,440	263,618	-	1,860,100
Disposals	-	(40,195)	(6,336)	-	(46,531)
Balance at 31 December 2008	<u>143,042</u>	<u>3,031,901</u>	<u>2,305,595</u>	-	<u>5,480,538</u>
Balance at 1 January 2009	143,042	3,031,901	2,305,595	-	5,480,538
Additions	-	1,356,307	33,621	624,000	2,013,928
Disposals	-	(192,475)	(369,282)	-	(561,757)
Balance at 31 December 2009	<u>143,042</u>	<u>4,195,733</u>	<u>1,969,934</u>	<u>624,000</u>	<u>6,932,709</u>
<i>Amortisation</i>					
Balance at 1 January 2008	-	(243,014)	(302,740)	-	(545,754)
Amortisation charge	-	(307,200)	(791,344)	-	(1,098,544)
Disposals	-	40,195	6,336	-	46,531
Balance at 31 December 2008	<u>-</u>	<u>(510,019)</u>	<u>(1,087,748)</u>	-	<u>(1,597,767)</u>
Balance at 1 January 2009	-	(510,019)	(1,087,748)	-	(1,597,767)
Amortisation charge	-	(610,504)	(744,533)	(14,000)	(1,369,037)
Impairment	(143,042)	-	-	(139,000)	(282,042)
Disposals	-	143,095	357,862	-	500,957
Balance at 31 December 2009	<u>(143,042)</u>	<u>(977,428)</u>	<u>(1,474,419)</u>	<u>(153,000)</u>	<u>(2,747,889)</u>
<i>Net book value</i>					
At 1 January 2008	<u>-</u>	<u>1,375,642</u>	<u>1,745,573</u>	-	<u>3,121,215</u>
At 31 December 2008	<u>143,042</u>	<u>2,521,882</u>	<u>1,217,847</u>	-	<u>3,882,771</u>
At 31 December 2009	<u>-</u>	<u>3,218,305</u>	<u>495,515</u>	<u>471,000</u>	<u>4,184,820</u>

14 Equity accounted investees

The Group has the following investments in equity accounted investees:

	<u>Country</u>	<u>Ownership/Voting</u>
JSC "Nurenergo"	Russian Federation	23%
JSC "Tulaenergokomplekt"	Russian Federation	50%
JSC "Kurganenergo"	Russian Federation	49%
JSC "G. M. Krgigianovsky Power Engineering Institute"	Russian Federation	31%

The following is summarised financial information, in aggregate, in respect of equity accounted investees:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Total assets	4,042,899	5,375,610
Total liabilities	(10,143,702)	(11,330,847)
Revenue	6,086,027	5,241,645
Loss for the year	(1,882,983)	(161,063)

	<u>As at 1 January 2008</u>	<u>Share of profit for the year</u>	<u>As at 31 December 2008</u>	<u>Share of profit for the year</u>	<u>As at 31 December 2009</u>
JSC "Kurganenergo"	540,579	23,493	564,072	100,998	665,070
JSC "Tuylaenergokoplekt"	47,912	(5,644)	42,268	(9,881)	32,387
JSC "G. M. Krgigianovsky Power Engineering Institute"	22,325	2,670	24,995	6,572	31,567
	<u>610,816</u>	<u>20,519</u>	<u>631,335</u>	<u>97,689</u>	<u>729,024</u>

15 Other investments and financial assets

	<u>31 December 2009</u>	<u>31 December 2008</u>
<i>Non-current</i>		
Available-for-sale investments	1,511,394	848,086
Promissory notes	-	2,624,372
Financial assets available-for-sale	5,070,500	4,208,838
Other non-current assets	5,468	-
	<u>6,587,362</u>	<u>7,681,296</u>
<i>Current</i>		
Fair value of the derivative instrument interest/currency swap	1,075,836	1,891,854
Promissory notes	4,771,794	931,891
Bank deposits	153,400	70,000
	<u>6,001,030</u>	<u>2,893,745</u>

Available-for-sale investments are mainly represented by marketable securities stated at fair value.

The fair value of the derivative instrument is calculated by discounting future cash flows determined by reference to the conditions and payments schedule of the swap agreement using forward rates of similar instruments at the reporting date. A change in the fair value of the swap contract for the year ended 31 December 2009 and 31 December 2008 of RUR 816,083 thousand and RUR 1,887,531 thousand is included in finance costs and finance income, respectively.

Financial assets available-for-sale relate to the Group contributions accumulated in solidary and employees' individual pension accounts with the Non-State Pension Fund of Electric Power Industry (employee benefit fund). Subject to certain restrictions contributions to the employee benefit fund can be withdrawn at the discretion of the Group.

Promissory notes are mainly represented by bank promissory notes:

	Effective interest rate	Year of maturity	31 December 2009	31 December 2008
<i>Long term promissory notes</i>				
Promissory notes of financial company	8.3 %	2010	-	2,624,372
<i>Short-term promissory notes</i>				
Bank promissory notes	0.1%	2010	536,480	-
Bank promissory notes	13%	2010	1,100,161	-
Bank promissory notes	0%	2010	118,508	-
Promissory notes of financial company	8.3%	2010	2,849,848	-
Bank promissory notes	0%	2010	115,338	-
Bank promissory notes	13.5%	2009	-	238,767
Bank promissory notes	13%	2009	-	400,000
Other short-term promissory notes		2010	51,459	293,124
			4,771,794	3,556,263

The Group's exposure related to credit risks and impairment losses related to other investments and financial assets is disclosed in Note 26.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Property, plant and equipment	1,203,522	2,607,205	(34,400,420)	(35,618,262)	(33,196,898)	(33,011,057)
Intangible assets	30,802	758	(21,583)	(30,516)	9,219	(29,758)
Investments	262,802	225,372	(741,460)	(793,101)	(478,658)	(567,729)
Inventories	424,591	487,114	(8,165)	-	416,426	487,114
Trade and other receivables and prepayments	4,421,109	3,922,600	(398,064)	(432,349)	4,023,045	3,490,251
Financial lease liability	3,725,574	3,855,957	-	(25,723)	3,725,574	3,830,234
Loans and borrowings	273,701	457,990	(84,608)	(152,673)	189,093	305,317
Provisions	118,075	158,611	-	(298,891)	118,075	(140,280)
Employee benefits	1,913,474	769,009	(1,183,214)	(317,640)	730,260	451,369
Trade and other payables	909,232	766,757	(76,729)	(140,867)	832,503	625,890
Tax loss carry-forwards	575,506	175,491	-	-	575,506	175,491
Other	221,326	199,000	(128,118)	(74,703)	93,208	124,297
Tax assets/(liabilities)	14,079,714	13,625,864	(37,042,361)	(37,884,725)	(22,962,647)	(24,258,861)
Set off of tax	(9,627,583)	(9,392,497)	9,627,583	9,392,497	-	-
Net tax assets/(liabilities)	4,452,131	4,233,367	(27,414,778)	(28,492,228)	(22,962,647)	(24,258,861)

(b) Movement in temporary differences during the year

	<u>1 January 2009</u>	<u>Recognised in income</u>	<u>Recognised in other comprehensive income</u>	<u>31 December 2009</u>
Property, plant and equipment	(33,011,057)	(185,841)	-	(33,196,898)
Intangible assets	(29,758)	38,977	-	9,219
Investments	(567,729)	204,673	(115,602)	(478,658)
Inventories	487,114	(70,688)	-	416,426
Trade and other receivables and prepayments	3,490,251	532,794	-	4,023,045
Financial lease liability	3,830,234	(104,660)	-	3,725,574
Loans and borrowings	305,317	(116,224)	-	189,093
Provisions	(140,280)	258,355	-	118,075
Employee benefits	451,369	278,891	-	730,260
Trade and other payables	625,890	206,613	-	832,503
Other	124,297	(31,089)	-	93,208
Tax loss carry-forwards	175,491	400,015	-	575,506
	<u>(24,258,861)</u>	<u>1,411,816</u>	<u>(115,602)</u>	<u>(22,962,647)</u>

	1 January 2008	Recognised in income	Recognised in other comprehen- sive income	Acquired/ disposed of	Change in tax rate		
					Recognised in income	Recognised in other compre- hensive income	31 December 2008
Property, plant and equipment	(39,261,418)	60,337	-	(40,330)	6,230,354	-	(33,011,057)
Intangible assets	(30,994)	(4,715)	-	-	5,951	-	(29,758)
Investments	(197,801)	(730,665)	303,361	-	44,228	13,148	(567,729)
Inventories	461,501	188,333	-	(365)	(162,355)	-	487,114
Trade and other receivables and prepayments	4,156,784	(190,100)	-	(25)	(476,408)	-	3,490,251
Financial lease liability	3,326,623	1,272,935	-	-	(769,324)	-	3,830,234
Loans and borrowings	(5,368)	331,337	-	-	(20,652)	-	305,317
Provisions	(19,346)	(243,899)	-	-	122,965	-	(140,280)
Employee benefits	655,923	(128,087)	-	-	(76,467)	-	451,369
Trade and other payables	478,675	268,647	-	-	(121,432)	-	625,890
Other	427,361	(281,167)	-	11,673	(33,570)	-	124,297
Tax loss carry-forwards	330,906	(120,309)	-	(4)	(35,102)	-	175,491
	(29,677,154)	422,647	303,361	(29,051)	4,708,188	13,148	(24,258,861)

A temporary difference relating to investments in subsidiaries in the amount of RUR 39,386,011 thousand at 31 December 2009 (31 December 2008: RUR 32,195,889 thousand) has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

17 Inventories

	31 December 2009	31 December 2008
Raw materials and consumables	9,660,735	10,496,119
Fuel	392,346	453,666
Finished goods and goods for resale	236,635	86,973
Other inventories	1,025,277	904,401
Net book value	11,314,993	11,941,159
Inventories carried at fair value less cost to sell	10,686,012	11,400,520

At 31 December 2009 inventories with a carrying amount of RUR 1,046,292 thousand are pledged as collateral for bank loans (31 December 2008: RUR 821,314 thousand) (see Note 22).

18 Trade and other receivables

	<u>31 December 2009</u>	<u>31 December 2008</u>
Non-current accounts receivable		
Trade receivables	2,234,162	2,336,774
Trade receivables impairment allowance	(1,238,751)	(1,407,266)
Other receivables	1,312,223	905,601
Other receivables impairment allowance	(7,956)	(7,543)
Loans	54,280	91,497
Total financial assets	<u>2,353,958</u>	<u>1,919,063</u>
VAT recoverable	480,200	1,313,900
VAT on advances from customers	4,923,093	6,887,197
Advances given	14,911,150	13,536,546
	<u>22,668,401</u>	<u>23,656,706</u>
Current accounts receivable		
Trade receivables	58,422,665	39,103,589
Trade receivables impairment allowance	(13,829,964)	(9,859,631)
Other receivables	9,456,734	11,909,691
Other receivables impairment allowance	(2,426,099)	(2,602,032)
Receivables from equity accounted investees	1,492,129	1,824,679
Receivables from equity accounted investees impairment allowance	-	(332,447)
Loans	27,761	493,324
Total financial assets	<u>53,143,226</u>	<u>40,537,173</u>
Advances given	4,298,737	9,652,070
Advances given impairment allowance	(713,312)	(602,192)
VAT recoverable	2,527,736	3,139,131
VAT on advances from customers	10,840,098	9,747,461
Prepaid taxes, other than income tax	907,706	2,296,288
	<u>71,004,191</u>	<u>64,769,931</u>

The prior period amounts of advances given by JSC "MOESK", the Group's subsidiary, have been reclassified from current assets to non-current assets in the amount of RUR 12,487,305 thousand as at 31 December 2008.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding advances for construction work in progress) are disclosed in Note 26.

19 Cash and cash equivalents

	<u>31 December 2009</u>	<u>31 December 2008</u>
Cash at bank and in hand	28,888,714	18,810,623
Cash equivalents	328,531	704,083
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	<u>29,217,245</u>	<u>19,514,706</u>

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

20 Equity

(a) Share capital

Number of shares unless otherwise stated

	<u>Ordinary shares</u>		<u>Preference shares</u>	
	<u>31 December 2009</u>	<u>31 December 2008</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
Authorised shares	41,041,753,984	41,041,753,984	2,075,149,384	2,075,149,384
Par value	RUR 1	RUR 1	RUR 1	RUR 1
On issue at end of year, fully paid	<u>41,041,753,984</u>	<u>41,041,753,984</u>	<u>2,075,149,384</u>	<u>2,075,149,384</u>

(b) Ordinary and preference 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' meetings

Holders of preference shares have no right of conversion or redemption, but are entitled to an annual dividend equal to 10% of net statutory profit divided by the number of preference shares. If the amount of dividends paid by the Company for each ordinary share in a given year exceeds the amount payable as a dividend on each preference share, the dividend rate payable on the latter must be increased to the amount of dividends on ordinary shares.

If the dividend is not paid, preference shares carry the right to vote on all issues within the competence of general shareholders' meetings following the Annual Shareholders' Meeting at which a decision not to pay (or not to pay the full amount of) dividends on preference shares was taken. The right of preference shareholders to vote at general shareholders' meetings ceases from the date of the first full payment of dividends on such shares. However, the dividend is not cumulative. The preference shares also carry the right to vote in respect of issues that affect the interests of preference shareholders, including reorganisation and liquidation.

In the event of liquidation preference shareholders first receive any declared unpaid dividends and the par value of the preference shares. Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

(c) Transactions with shareholders

During 2008 as part of the Group formation the former shareholder, RAO UES forgave the amount of RUR 1,871,206 thousand for the benefit of the Group which was recognised in the Statement of Changes in Equity.

(d) Minority interest

On 23 July 2009 the Extraordinary General Meeting of Shareholders of JSC Kubanenergo, the Group subsidiary, approved an increase in charter capital through issuance of additional 59,493,882 ordinary shares with a par value of 100 rouble each under an open subscription. On 29 July 2009 the Board of Directors of JSC Kubanenergo approved an offering price of RUR 126.26. This share issuance was registered by the Federal Service for Financial Markets on 1 September 2009. As at 31 December 2009 6,871,367 shares were subscribed by the Group and 36,732,798 shares by 3rd parties and existing minority shareholders who jointly paid RUR 5,505,462 thousand. According to the 2009 Federal Budget Law and an agreement between JSC Kubanenergo and the Ministry of Energy, the amount of RUR 2,629,696 thousand will be used exclusively for construction of Olympic Games infrastructure facilities in Sochi in 2010.

The issuance of shares has not yet been completed (see Note 32).

Additional capital of RUR 4,637,884 thousand attributable to minority shareholders was recognized as minority interest in these consolidated financial statements. As a result of subscription of shares to minority shareholders the Group's ownership interest in JSC Kubanenergo decreased from 49% to 25.42% and resulted in the change of minority interest of RUR 269,725 thousand as at 31 December 2009. The Group exercises control over JSC Kubanenergo which stems from majority representation on the Board of Directors.

In 2008 JSC "Lenenergo", a Group subsidiary, completed a closed placement of 234,167,535 ordinary shares announced in 2007. Total additional capital comprised RUR 5,782,733 thousand. Additional shares were subscribed to the City of St. Petersburg and some of the other existing minority shareholders that paid RUR 3,045,663 thousand in cash altogether. The remaining amount of RUR 2,737,070 thousand represented a fair value of fixed assets contributed by the city of St. Petersburg. The excess of the advance outstanding as at 31 December 2008 in the amount of RUR 3,055,681 thousand over cash contribution of RUR 3,045,663 thousand was repaid back to shareholders.

Total additional capital of RUR 5,782,733 thousand was recognized as minority interest in these consolidated financial statements. As a result of subscription of all additional shares to minority shareholders the Group's ownership interest decreased from 59.34% to 45.71% and resulted in the change of minority interest of RUR 1,609,450 thousand as at 31 December 2009.

(e) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2009 the Company had retained earnings, including the profit for the current year, of RUR 99,554,999 thousand (31 December 2008: RUR 40,868,123 thousand). Net profit amounted to RUR 58,686,878 thousand (2008: loss RUR 154,473,081 thousand).

21 Earnings per share

	Year ended 31 December 2009	Year ended 31 December 2008
Weighted average number of ordinary shares for the year ended 31 December (thousand of shares)	41,041,754	41,041,754
Total profit attributable to holders of ordinary shares	13,155,912	10,509,490
Earnings per ordinary share (in RUR) – basic and diluted	0.32	0.26

22 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings and financial lease liabilities, which are measured at amortised cost.

	31 December 2009	31 December 2008
<i>Non-current liabilities</i>		
Secured bank loans	925,394	1,878,329
Secured bond issued	5,975,538	5,958,899
Unsecured bank loans	52,435,345	55,882,816
Unsecured bond issued	11,066,527	5,116,685
Promissory notes	2,846,721	4,761,327
Loans from equity accounted investees	-	3,553
Loans from other related parties	457,363	370,310
Financial lease liabilities	10,116,246	13,083,784
	83,823,134	87,055,703
<i>Current liabilities</i>		
Current portion of unsecured loans and bonds	46,878,948	12,957,497
Secured bank loans	1,637,589	1,688,820
Unsecured bank loans	10,955,111	24,866,303
Promissory notes	2,271,631	10,255,147
Loans from equity accounted investees	-	186,572
Loans from other related parties	-	27,685
Current portion of financial lease liabilities	5,498,942	5,491,648
	67,242,221	55,473,672

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Effective interest rate	Year of maturity	31 December 2009		31 December 2008	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan							
Secured bank loans	RUR	11.8-17%	2009-2013	66,082	66,082	135,500	135,500
Secured bank loans	RUR	8.5-18%	2009-2014	1,796,829	1,796,829	1,071,829	1,071,829
Secured bank loans	RUR	8-17%	2009-2012	353,572	353,572	2,019,820	2,019,820
Secured bank loans	RUR	7%	2011	6,500	6,500	-	-
Secured bank loans	RUR	8%	2011	340,000	340,000	340,000	340,000
				2,562,983	2,562,983	3,567,149	3,567,149
Unsecured bank loans							
Unsecured bank loans	RUR	11.8-16%	2009-2010	174,548	174,548	305,075	305,075
Unsecured bank loans	RUR	7.8-18%	2009-2014	37,992,003	37,992,003	27,079,510	27,079,510
Unsecured bank loans	RUR	9-17%	2009	-	-	381,550	381,550
Unsecured bank loans	RUR	7.85-21.98%	2010-2011	15,299,767	15,299,767	3,880,000	3,880,000
Unsecured bank loans	RUR	Mosibor 1m+3.6-7.3%	2009	-	-	1,000,000	1,000,000
Unsecured bank loans	RUR	9-17%	2009-2013	11,484,981	11,484,981	16,887,238	16,887,238
Unsecured bank loans	RUR	7.8-12.5%	2009-2011	410,000	410,000	4,453,164	4,453,164
Unsecured bank loans	RUR	Mosprime 3M + 4-5.25%	2009	-	-	1,000,000	1,000,000
Unsecured bank loans	RUR	10%	2009	-	-	57,794	57,794
Unsecured bank loans	RUR	9-18%	2009-2012	3,505,240	3,505,240	5,914,431	5,914,431
Unsecured bank loans	RUR	16-17%	2009-2012	4,915	4,915	13,181	13,181

JSC IDGC Holding
Notes to the Consolidated Financial Statements for the year ended 31 December 2009
(in thousands of Russian roubles, unless otherwise stated)

	Currency	Effective interest rate	Year of maturity	31 December 2009		31 December 2008	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured bank loans	RUR	8.79-17%	2009-2012	4,915,089	4,915,089	5,925,407	5,925,407
Unsecured bank loans	RUR	Mosprime, 1M+3%	2010	700,000	700,000	1,110,000	1,110,000
Unsecured bank loans	RUR	23.38%	2009	-	-	710,000	710,000
Unsecured bank loans	RUR	Mosprime, 1M+7.2%	2010	1,000,000	1,000,000	500,000	500,000
Unsecured bank loans	RUR	15-24%	2009	-	-	450,000	450,000
Unsecured bank loans	RUR	0%	2010	500,000	500,000	500,000	500,000
Unsecured bank loans	RUR	10-18.3%	2009-2012	3,667,294	3,667,294	2,115,305	2,115,305
Unsecured bank loans	RUR	11%	2009	-	-	138,586	138,586
Unsecured bank loans	RUR	12-17%	2010-2013	2,951,016	2,951,016	218,061	218,061
Unsecured bank loans	RUR	9.04-9.58%	2010	8,558,564	8,558,564	8,558,564	8,558,564
Unsecured bank loans	USD	Libor + 1,25%	2010	6,048,840	6,026,914	4,900,000	5,834,784
Unsecured bank loans	RUR	11.45-14%	2009-2012	4,950,369	4,950,369	552,772	552,772
Unsecured bank loans	RUR	9-15.5%	2010-2011	1,350,000	1,350,000	1,000,000	1,000,000
Unsecured bank loans	RUR	Mosprime, + 4%	2010	500,000	500,000	-	-
Unsecured bank loans	RUR	16.5%	2011	500,000	500,000	-	-
Unsecured bank loans	RUR	12-13%	2010	1,832,664	1,832,664	-	-
Unsecured bank loans	RUR	12.5-16%	2009	-	-	3,542	3,542
Unsecured bank loans	RUR	0	2010	8,472	8,472	-	-
Unsecured bank loans	RUR	0	2010	9,200	9,200	18,800	18,800
				106,362,962	106,341,036	87,672,980	88,607,764

JSC IDGC Holding
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	Currency	Effective interest rate	Year of maturity	31 December 2009		31 December 2008	
				Face value	Carrying amount	Face value	Carrying amount
Promissory notes							
Promissory notes	RUR	0	On demand	286,372	286,372	286,372	286,372
Promissory notes	RUR	0	On demand	81,741	81,741	81,741	81,741
Promissory notes	RUR	0	2010	9,696	9,696	6,757	6,757
Promissory notes	RUR	11.73-15.61%	2010-2013	1,747,623	1,747,623	-	-
Promissory notes	RUR	0-9%	2010	3,300	3,300	-	-
Promissory notes	RUR	9%	2009-2012	3,203,028	2,989,276	12,234,986	11,641,403
Promissory notes	RUR	17%	On demand	-	-	2,999,998	2,999,901
Promissory notes	RUR	0	2010	344	344	300	300
				5,332,104	5,118,352	15,610,154	15,016,474
Bonds							
Secured bonds	RUR	8.54%	2012	3,000,000	2,988,301	3,000,000	2,979,406
Secured bonds	RUR	8.02%	2012	3,000,000	2,987,237	3,000,000	2,979,493
Unsecured bonds	RUR	7.85%	2010	1,500,000	1,419,642	60,177	60,177
Unsecured bonds	RUR	17.5%	2014	6,000,000	6,000,000	-	-
Unsecured bonds	RUR	7.70%	2012	2,700,000	2,700,000	2,700,000	2,700,000
Unsecured bonds	RUR	8.05%	2011	2,356,507	2,356,507	2,356,507	2,356,507
Unsecured bonds	RUR	8.4%	2012	10,020	10,020	-	-
Unsecured bonds	RUR	8.15%	2009	-	-	1,000,000	1,000,000
Unsecured bonds	RUR	9.3%	2010	2,480,672	2,480,672	3,000,000	3,000,000
Unsecured bonds	RUR	8.15%	2010	1,638	1,638	1,000,000	1,000,000-
				21,048,837	20,944,017	16,116,684	16,075,583

	Currency	Effective interest rate	Year of maturity	31 December 2009		31 December 2008	
				Face value	Carrying amount	Face value	Carrying amount
Loans from related parties	RUR	0-9%	2009-2013	504,299	457,363	549,387	481,848
Other debt	RUR	8.15-20%	2010-2012	26,415	26,416	205,125	205,125
Long-term financial lease liabilities	RUR	9%	2009-2014	22,281,951	15,615,188	26,955,676	18,575,432
Total debt				158,119,551	151,065,355	150,677,155	142,529,375

At 31 December 2009 the bank loans in the amount of RUR 1,839,411 thousand (31 December 2008: RUR 757,264 thousand) are secured over inventories in the amount of RUR 1,046,292 thousand (31 December 2008: RUR 821,314 thousand) (see Note 17).

At 31 December 2009 no bank loans are secured over promissory notes. At 31 December 2008 the bank loans in the amount of RUR 71,500 thousand were secured over promissory notes in the amount of RUR 166,363 thousand.

As at 31 December 2009 the bank loans in the amount of RUR 723,572 thousand (as at 31 December 2008: RUR 2,398,385 thousand) are secured by cash flows on certain electricity transmission contracts.

As at 31 December 2009 the bonds in the amount of RUR 5,975,538 thousand (as at 31 December 2008: RUR 5,958,899 thousand) are secured by guarantee of third parties.

The effective interest rate is the market interest rate applicable to the loans at the date of origination for fixed rate loans and the current market rate for floating rate loans. The Group has not entered into any hedging arrangements in respect of interest rate exposures.

For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26.

Financial lease liabilities are payable as follows:

	2009		2008			
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	8,880,655	(3,381,713)	5,498,942	9,150,048	(3,658,400)	5,491,648
Between one and five years	13,086,823	(3,169,269)	9,917,554	17,078,441	(4,541,003)	12,537,438
More than five years	314,473	(115,781)	198,692	727,187	(180,841)	546,346
	22,281,951	(6,666,763)	15,615,188	26,955,676	(8,380,244)	18,575,432

The financial lease liabilities are secured by the leased assets (see Note 12).

23 Employee benefits

The Group has 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, financial support for current pensioners, death benefits, jubilee benefits.

(a) Amounts recognised in the Statement of Financial Position are as follows:

	31 December 2009	31 December 2009	31 December 2008	31 December 2008
	Post employment benefits	Other long-term benefits	Post employment benefits	Other long-term benefits
Total present value of obligations	10,728,254	696,922	9,671,202	502,963
Unrecognised actuarial loss/(gain)	(551,804)	-	427,982	-
Unrecognised past service cost	(2,875,214)	-	(2,981,113)	-
Recognised liability for defined benefit obligations	7,301,236	696,922	7,118,071	502,963

(b) Movements in the present value of the defined benefit obligations

	2009	2009	2008	2008
	Post employment benefits	Other long- term benefits	Post employment benefits	Other long- term benefits
Defined benefit obligations at 1 January	9,671,202	502,963	8,285,122	472,921
Benefits paid by the plan	(1,059,391)	(58,631)	(945,869)	(73,445)
Current service costs	509,354	36,759	555,406	25,835
Interest on obligation	809,152	36,844	541,387	30,934
Actuarial losses/(gains)	937,518	215,960	(1,247,256)	28,955
Past service costs	58,766	(13,625)	2,701,914	18,411
Curtailments and Settlements	(6,878)	(23,348)	(219,502)	(648)
Other movements	(191,469)	-	-	-
Defined benefit obligations at 31 December	10,728,254	696,922	9,671,202	502,963

(c) Expenses recognised in profit or loss:

	2009	2009	2008	2008
	Post employment benefits	Other long- term benefits	Post employment benefits	Other long- term benefits
Current service costs	509,354	36,759	555,406	25,835
Interests on obligation	809,152	36,844	541,387	30,934
Recognised actuarial (gains) and losses	(42,268)	215,960	(77,232)	28,955
Recognised past service costs	164,665	(13,625)	611,531	18,411
Curtailments and Settlements	(6,878)	(23,348)	(219,502)	(648)
Other movements	(191,469)	-	-	-
Total periodical pension cost	1,242,556	252,590	1,411,590	103,487

The above expenses are recognised as Personnel costs in Operating expenses.

Movements in the net liability in the Statement of Financial Position are as follows:

	2009	2009	2008	2008
	Post employment benefits	Other long- term benefits	Post employment benefits	Other long- term benefits
Recognised liability in the statement of financial position for defined benefit obligations as at 1 January	7,118,071	502,963	6,652,350	472,921
Total periodical pension cost	1,242,556	252,590	1,411,590	103,487
Benefits paid by the plan	(1,059,391)	(58,631)	(945,869)	(73,445)
Recognised liability in statement of financial position for defined benefit obligations as at 31 December	7,301,236	696,922	7,118,071	502,963

(d) Actuarial assumptions

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2009	2008
Discount rate at 31 December	8.70%	9.00%
Future salary increases	5.50%	7.00%
Inflation rate	5.50%	6.00%
Average future working life (yrs)	10	11
Mortality table	2002	Russian 2002

24 Provisions

	2009	2008
Balance at 1 January	1,081,941	732,397
Provisions raised during the year	484,630	758,174
Provisions used during the year	(646,613)	(408,630)
Balance at 31 December	919,958	1,081,941

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

25 Trade and other payables

	<u>31 December 2009</u>	<u>31 December 2008</u>
Non-current accounts payable		
Trade payables	1,282,774	510,061
Other payables and accrued expenses	808,752	2,324,797
Total financial liabilities	2,091,526	2,834,858
Advances from customers	39,375,449	60,671,454
	41,466,975	63,506,312
Current accounts payable		
Trade payables	52,493,759	49,467,656
Interest accrued on loans and borrowings	2,405,691	1,509,084
Other payables and accrued expenses	4,305,498	3,195,495
Payables to employees	5,921,961	4,901,961
Dividends payable	144,128	177,190
Total financial liabilities	65,271,037	59,251,386
Advances from customers	62,060,241	34,506,546
	127,331,278	93,757,932
Taxes payable		
Value added tax	4,042,514	780,844
Property tax	375,241	426,139
Unified social tax	713,925	664,836
Other taxes payable	1,457,527	1,232,122
	6,589,207	3,103,941
	133,920,485	96,861,873

The prior period amounts of advances received by JSC "MOESK", the Group's subsidiary, have been reclassified from current liabilities to non-current liabilities in the amount of RUR 43,359,107 thousand.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

26 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk.

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

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

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

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

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

(b) Credit risk

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

(i) Trade and other receivables

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

To manage the credit risk, the Group attempts, to the extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is stipulated by contract and depends on the amount of capacity to be connected.

The Group does not require collateral in respect of trade and other receivables.

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

Exposure to credit risk

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

	Carrying amount	
	31 December 2009	31 December 2008
Available-for-sale financial assets	1,511,394	848,086
Promissory notes	4,771,794	3,556,263
Loans and receivables	55,497,184	42,456,236
Bank deposits, cash and cash equivalents	29,370,645	19,584,706
Derivative instrument - interest/currency swap	1,075,836	1,891,854
Financial assets related to employee benefit fund	5,070,500	4,208,838
	<u>97,297,353</u>	<u>72,545,983</u>

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

	Carrying amount	
	31 December 2009	31 December 2008
North-West region	6,409,840	4,387,043
Central region	14,698,740	9,470,507
Ural and Volga region	8,795,940	5,422,803
South region	9,108,258	5,666,831
Siberian region	6,396,133	5,147,549
Other regions	179,187	78,733
	<u>45,588,112</u>	<u>30,173,466</u>

The Group's ten most significant customers accounts for RUR 12,797,960 thousand of the trade receivables carrying amount at 31 December 2009 (2008: RUR 8,614,815 thousand).

Impairment losses

The aging of receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	31 December 2009	31 December 2009	31 December 2008	31 December 2008
Not past due	36,591,804	(1,307,994)	34,914,311	(2,947,987)
Past due less than 3 months	9,126,625	(2,058,697)	2,881,615	(1,083,026)
Past due more than 3 months and less than 6 months	6,702,216	(1,786,701)	2,205,730	(530,634)
Past due more than 6 months and less than 1 year	7,334,701	(2,400,816)	5,466,751	(1,824,898)
Past due more than 1 year	13,162,567	(9,948,562)	10,611,927	(7,822,374)
	<u>72,917,913</u>	<u>(17,502,770)</u>	<u>56,080,334</u>	<u>(14,208,919)</u>

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

	Year ended 31 December 2009	Year ended 31 December 2008
Balance at 1 January	(14,208,919)	(12,616,567)
Increase during the period	(8,630,539)	(5,880,005)
Amounts written off against trade and other receivables	2,627,221	3,001,810
Decrease due to reversal	2,709,467	1,285,843
Balance at 31 December	(17,502,770)	(14,208,919)

The movement in the allowance for impairment in respect of available for sale investments during the year was as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Balance at 1 January	1,156,127	109,518
Increase during the period	-	1,046,609
Balance at 31 December	1,156,127	1,156,127

An impairment loss in respect of available for sale investments was recognised owing to a significant decline in their fair value.

During 2008 management accrued an allowance for impairment of bank deposits and cash equivalent in the amount of RUR 1,201,687 thousand in relation to the deposits held by JSC "MOESK", a Group subsidiary, in Moskovskiy Zalogoviy bank due to insolvency procedures initiated against the bank during the year.

The allowance accounts in respect of trade and other receivables, available for sale investments and bank deposits are used to record impairment losses, unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable and written off against the financial asset directly. At 31 December 2009 the Group does not have any collective impairment on its trade receivables, available for sale investments and bank deposits (2008: nil).

(c) Liquidity risk

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

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

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

31 December 2009

	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Loans	109,387,798	127,064,741	64,103,682	42,625,620	10,931,641	7,972,259	1,431,539	-
Bond issued	20,944,017	26,560,455	6,598,476	3,358,709	9,511,672	585,545	6,506,053	-
Promissory notes	5,118,352	6,880,434	2,796,720	2,108,011	1,862,557	113,146	-	-
Financial leasing	15,615,188	22,281,951	8,880,655	10,752,820	2,084,626	249,377	-	314,473
Trade and other payables	67,362,563	64,884,003	63,645,631	844,213	157,268	6,587	297	230,007
	218,427,918	247,671,584	146,025,164	59,689,373	24,547,764	8,926,914	7,937,889	544,480

31 December 2008

	Carrying amount	Contractual cash flows	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Loans	92,861,886	112,143,218	43,234,366	49,891,076	13,667,729	276,951	-	5,073,096
Bond issued	16,075,583	18,281,184	5,921,544	3,451,740	2,907,900	6,000,000	-	-
Promissory notes	15,016,474	17,463,885	10,323,651	2,615,967	2,441,035	1,974,007	109,225	-
Financial leasing	18,575,432	26,955,676	9,150,048	5,643,204	4,392,870	3,840,494	3,201,873	727,187
Trade and other payables	62,086,244	62,354,035	60,939,090	859,025	106,377	71,931	26,470	351,142
	204,615,619	237,197,998	129,568,699	62,461,012	23,515,911	12,163,383	3,337,568	6,151,425

(d) Market risk

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

(i) Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates.

The majority of the Group's revenues and expenditures are denominated in RUR, accordingly operating profits are insignificantly impacted by changes in exchange rates.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	USD-denominated	USD-denominated
	31 December 2009	31 December 2008
Bank loans	6,026,914	5,834,784
Derivative financial instruments - interest/currency swap	(1,075,836)	(1,891,854)
Net exposure	4,951,078	3,942,930

The following exchange rates applied during the year:

RUR	Average rate		Reporting date spot rate	
	2009	2008	31 December 2009	31 December 2008
USD 1	31.723	24.855	30.2442	29.3804

Sensitivity analysis

A 10% weakening of the RUR against the USD at 31 December would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Equity	Profit or loss
	RUR	RUR
2009		
USD	-	(396,086)
2008		
USD	-	(299,663)

A 10% strengthening of the RUR against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

The Group obtains borrowing both with fixed and with floating rate and is subject to the risk of interest rate changes.

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

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	31 December 2009	31 December 2008
Fixed rate instruments		
Financial assets	5,007,235	4,004,690
Financial liabilities	(141,942,616)	(132,608,092)
Variable rate instruments		
Financial assets	1,075,836	1,891,854
Financial liabilities	(8,226,914)	(9,444,784)

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, and the Group does not designate interest/currency swaps as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2009				
Variable rate instruments	(65,815)	65,815	-	-
Interest/currency swap	8,607	(8,607)	-	-
Cash flow sensitivity (net)	(57,208)	57,208	-	-
2008				
Variable rate instruments	(71,780)	71,780	-	-
Interest/currency swap	14,738	(14,738)	-	-
Cash flow sensitivity (net)	(57,042)	57,042	-	-

(e) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Note	Carrying amount 31 December 2009	Fair value 31 December 2009	Carrying amount 31 December 2008	Fair value 31 December 2008
Derivative instrument – interest/currency swap	15	1,075,836	1,075,836	1,891,854	1,891,854
Loans and receivables	18	55,497,184	55,497,184	42,456,236	41,979,862
Available-for-sale financial assets	15	1,511,394	1,511,394	848,086	848,086
Promissory notes	15	4,771,794	4,771,794	3,556,263	3,415,909
Bank deposits, cash and cash equivalents	15, 19	29,370,645	29,370,645	19,584,706	19,584,706
Financial assets related to employee benefit fund	15	5,070,500	5,070,500	4,208,838	4,208,838
Non-current and current debt	22	(151,065,355)	(146,450,003)	(142,529,375)	(134,279,261)
Trade and other payables	25	(67,362,563)	(67,362,563)	(62,086,244)	(60,957,739)
		(121,130,565)	(116,515,213)	(132,069,636)	(123,307,745)

The basis for determining fair values is disclosed in Note 4.

The interest rates used to discount estimated cash flows, where applicable, were as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Loans and receivables	13.8%	15.7%
Promissory notes	12%	12%
Non-current and current debt	12.3% - 15.5%	17.4%
Trade and other payables	12.3% - 15.5%	17.4%

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

'000 RUR	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 December 2009				
Available-for-sale financial assets	1,208,261	-	303,133	1,511,394
Derivative financial assets	-	1,075,836	-	1,075,836
	<u>1,208,261</u>	<u>1,075,836</u>	<u>303,133</u>	<u>2,587,230</u>
31 December 2008				
Available-for-sale financial assets	648,553	-	199,533	848,086
Derivative financial assets	-	1,891,854	-	1,891,854
	<u>648,553</u>	<u>1,891,854</u>	<u>199,533</u>	<u>2,739,940</u>

(g) Capital management

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

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

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

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

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Less than one year	4,452,012	3,048,791
Between one and five years	4,918,842	2,575,790
More than five years	19,115,615	13,844,140
	28,486,469	19,468,721

The land plots leased by the Group are the territories on which power lines, equipment for electricity transformation and other assets are located. Lease payments are reviewed regularly to reflect market rentals. Contracts for land lease are concluded for 49 years, other contracts are concluded for one year with prolongation.

During the year RUR 6,783,408 thousand was recognised in the statement of comprehensive income in respect of operating leases (in 2008: RUR 5,261,573 thousand).

28 Commitments

As at 31 December 2009 the Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUR 71,995,966 thousand (as at 31 December 2008: RUR 118,509,441 thousand).

29 Contingencies

(a) Insurance

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

(b) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory, and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities

during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

In April 2008 the tax authorities performed a tax field audit of the Group covering the period from 1 January 2005 to 31 December 2006. As the result the tax authorities additionally sought RUR 1,349,999 thousand of taxes, RUR 161,361 thousand of penalties and RUR 300,061 thousand of late payment interests. The Group did not agree with the decision and filed a complaint to the Arbitration court.

As at 31 December 2008 the Group accrued RUR 1,236,989 thousand of the above-mentioned additional taxes in the financial statements. The Group believed that the tax authority had no legal grounds to charge RUR 113,010 thousand of additional taxes, RUR 161,361 thousand of penalties and RUR 300,061 thousand of late payment interests and did not accrue any provision related to other taxes of RUR 113,010 thousand, late payment interests of RUR 300,061 thousand and penalties of RUR 161,361 thousand. In 2009 the Supreme Arbitration Court resolution confirmed the earlier court decisions in favour of the Group dismissing the claims of RUR 1,226,564 thousand. Accordingly, as at 31 December 2009 the Group reversed the accrual of RUR 1,226,564 thousand and the remaining amount of RUR 10,425 thousand has been paid to the tax authorities.

(c) Legal proceedings

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

(d) Environmental matters

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

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

(e) Guarantees

The Group provided the following financial guarantees for loans granted by the following banks to the Group's lessors.

	Amount on contract	Amount on contract
	31 December 2009	31 December 2008
OJSC "Rosbank"	1,267,130	1,050,000
OJSC "Sberbank"	484,917	767,127
OJSC "Nordea Bank"	420,000	-
CJS "Raiffeisenbank"	410,000	-
JCSC "Rosgazleasing"	272,180	-
OJSC "Promsvyazbank"	103,078	-
OJSC "VTB Severo-zapad"	-	351,590
CJSC "Gazenergoprombank"	51,371	90,519
OJSC "Alpha Bank"	20,858	68,840
OJSC "Russian Agricultural Bank"	7,255	-
	3,036,789	2,328,076

30 Related party transactions

(a) Control relationships

The Russian Government held the majority of the voting rights of RAO UES before 30 June 2008 and of the Company after 1 July 2008 (see Note 1(a)).

(b) Transactions with RAO UES and its subsidiaries

During the first half of 2008 the Group had the following significant transactions with RAO UES and its subsidiaries:

Revenue and expenses

	Revenue	Expenses
	Transaction value	Transaction value
	2008	2008
RAO UES of Russia's subsidiaries:		
Electricity distribution	67,014,126	30,519,103
Electricity sales/purchase	232,855	12,040,474
Technological connection services	-	1,220,425
Other	1,003,606	6,418,032
	68,250,587	50,198,034

(c) Transactions with associates

The Group had the following significant balances with associates:

	Outstanding balance	Outstanding balance
	31 December 2009	31 December 2008
Accounts receivable	1,492,129	1,492,232
	1,492,129	1,492,232

(d) Management remuneration

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

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

	Year ended	Year ended
	31 December 2009	31 December 2008
Salaries and bonuses	1,342,050	1,570,504

(e) Transactions with state-controlled entities

In the course of its operating activities the Group is also engaged in significant transactions with state-controlled entities. Revenues and purchases from state-controlled entities are measured at regulated tariffs where applicable, in other cases revenues and purchases are measured at normal market prices.

(f) Pricing policies

Related party revenue for electricity transmission is based on the tariffs determined by the government. Other related party transactions are based on normal market prices.

In accordance with the Company Charter documents, the following transactions are subject to the approval of the Board of Directors, if the amount of the transaction is below 2% of the total assets of the Company as determined in accordance with RAP, and are subject to the approval at the Shareholders' meeting if the amount of the transaction exceeds 2% of the total assets of the Company as determined in accordance with RAP:

- Transactions involving the entities where the shareholders of the Company have ownership interest of 20% or more;
- Transactions involving the entities where the management of the Company also act in management capacity.

31 Significant subsidiaries

		2009	2008
	Country of incorporation	Ownership/voting, %	Ownership/voting, %
JSC "Tyumenenergo"	Russian Federation	100	100
JSC "IDGC of Volga"	Russian Federation	67.63	67.63
JSC "IDGC of North Caucasus"	Russian Federation	58.25	58.25
JSC "IDGC of North-West"	Russian Federation	55.38	55.38
JSC "IDGC of Siberia"	Russian Federation	52.88	52.88
JSC "IDGC of South"	Russian Federation	51.66	51.66
JSC "IDGC of Urals"	Russian Federation	51.52	51.52
JSC "MOESK"	Russian Federation	50.9	50.9
JSC "Lenenergo"	Russian Federation	45.71 / 50.31	45.71 / 50.31
JSC "IDGC of Center and Volga region"	Russian Federation	50.4	50.4
JSC "IDGC of Centre"	Russian Federation	50.23	50.23
JSC "Yantarenergo"	Russian Federation	100	100
JSC "Tomsk Distribution Company"	Russian Federation	52.03 / 52.03	52.03 / 59.88
JSC "Chechenenergo"	Russian Federation	51	51
JSC "Kubanenergo"	Russian Federation	25.42*	49*
JSC "Karachaevo-Cherkesskenergo"	Russian Federation	100	100
JSC "Kalmenergosbyt"	Russian Federation	100	100
JSC "Tyvaenergosbyt"	Russian Federation	100	100
JSC "Kabbalkenergo"	Russian Federation	65.27 / 65.27	65.27 / 65.27
JSC "Dagestan Power Sales Company"	Russian Federation	51	51
JSC "Sevkavkazenergo"	Russian Federation	49*	49*
JSC "Ingushenergo"	Russian Federation	49*	49*
JSC "Reaserch Institute of Energy and Economics "	Russian Federation	100	100
VNIPI Energoprom	Russian Federation	100	100
JSC "SPECIAL DESIGN BUREAU heat and power equipment VTI"	Russian Federation	100	100
JSC "Center for the settlement of accounts receivable and payable Unified Energy Systems"	Russian Federation	100	100
JSC "Northwest Energy Management Company"	Russian Federation	49*	49*/57.4

		2009	2008
	Country of incorporation	Ownership/voting, %	Ownership/voting, %
Nedvizhimost VNIPIEnergoprom	Russian Federation	100	100
JSC "UES of NIC"	Russian Federation	100	100
JSC "NIC North - West"	Russian Federation	100	100
JSC "NIC Volga"	Russian Federation	100	100
JSC "NIC of the South"	Russian Federation	100	100
JSC "NIC Urals"	Russian Federation	100	100
JSC "NIC Siberia"	Russian Federation	100	100
"Grozenergo"	Russian Federation	49*	49*

* The Group exercises control over these entities stemming from majority representation on the Board of Directors.

32 Events subsequent to the balance sheet date

On 20 April 2010 the Board of Directors of the Company approved the acquisition of 15 780 600 additional ordinary shares of its subsidiary JSC Kubanenergo for RUR 1,992,458 thousand. As at the date these consolidated financial statements were approved for issuance the acquisition of the shares of JSC Kubanenergo has not yet been completed.