

OJSC Interregional Distribution Grid Company of Siberia

**Consolidated Financial Statements
for the year ended 31 December 2011**

Contents

Independent Auditors' Report	3
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	10
Notes to the Consolidated Financial Statements	11



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Independent Auditors' Report

To the Board of Directors of Open Joint Stock Company "IDGC of Siberia"

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "IDGC of Siberia" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 about 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

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24 April 2012

OJSC IDGC of Siberia

Consolidated Statement of Comprehensive Income for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Revenue	8	52 311 571	43 829 366
Operating expenses	9	(53 214 117)	(46 408 911)
Other operating income	8	1 013 386	699 256
Results from operating activities		110 840	(1 880 289)
Finance income	11	142 885	33 722
Finance costs	11	(563 763)	(788 050)
Net finance costs		(420 878)	(754 328)
Loss before income tax		(310 038)	(2 634 617)
Income tax (expense)/benefit	12	(165 079)	242 778
Loss for the year		(475 117)	(2 391 839)
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(111 372)	88 554
Income tax on other comprehensive income		28 980	(3 527)
Other comprehensive (loss)/income for the year, net of income tax		(82 392)	85 027
Total comprehensive loss for the year		(557 509)	(2 306 812)
Loss attributable to:			
Shareholders of the Company		(473 129)	(2 392 196)
Non-controlling interests		(1 988)	357
Total comprehensive loss attributable to:		(555 521)	(2 307 169)
Shareholders of the Company		(555 521)	(2 307 169)
Non-controlling interests		(1 988)	357
Total comprehensive loss for the year		(557 509)	(2 306 812)
Loss per share – basic and diluted (in Russian Roubles)	22	(0.0051)	(0.0268)

These consolidated financial statements were approved by management of the Company on 24 April 2012 and were signed on its behalf by:

Acting as General Director

Abramov A.V.

Chief accountant

Leontiev A.V.

OJSC IDGC of Siberia
Consolidated Statement of Financial Position as at 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	13	39 141 807	35 641 672
Intangible assets	14	312 563	309 554
Investments and financial assets	16	723 816	817 013
Other non-current assets	17	462 242	360 893
Total non-current assets		40 640 428	37 129 132
Current assets			
Cash and cash equivalents	18	1 183 631	454 450
Trade and other receivables	19	5 065 551	5 766 171
Income tax receivable		548 738	321 373
VAT recoverable		380 379	252 729
Prepayments	19	90 349	39 305
Inventories	20	943 806	764 595
Other current assets		26 941	24 594
Total current assets		8 239 395	7 623 217
Total assets		48 879 823	44 752 349

OJSC IDGC of Siberia
Consolidated Statement of Financial Position as at 31 December 2011
(in thousands of Russian Roubles, unless otherwise stated)

	Note	31 December 2011	31 December 2010
EQUITY AND LIABILITIES			
Equity			
Share capital	21	9 481 516	8 936 766
Share premium	21	1 198 452	-
Retained earnings		14 177 178	14 650 307
Available-for-sale investments revaluation reserve		143 254	225 646
Total equity attributable to shareholders of the Company		25 000 400	23 812 719
Non-controlling interests		1 376	3 364
Total equity		25 001 776	23 816 083
Non-current liabilities			
Loans and borrowings	23	6 279 429	6 853 030
Finance lease liability	24	8	66 378
Employee benefits	25	257 936	213 858
Deferred tax liabilities	15	3 019 950	2 883 498
Other non-current liabilities	26	109 945	614 093
Total non-current liabilities		9 667 268	10 630 857
Current liabilities			
Loans and borrowings	23	347 004	1 771 000
Finance lease liability	24	66 978	79 150
Trade and other payables	28	11 508 365	6 724 163
Employee payables	27	1 427 069	805 624
Income tax payable		102 415	45 233
Other taxes payable	29	758 948	880 239
Total current liabilities		14 210 779	10 305 409
Total liabilities		23 878 047	20 936 266
Total equity and liabilities		48 879 823	44 752 349

OJSC IDGC of Siberia
Consolidated Statement of Cash Flows for the year ended 31 December 2011
(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
OPERATING ACTIVITIES			
Loss before income tax		(310 038)	(2 634 617)
<i>Adjustments for:</i>			
Depreciation and amortization	9	3 726 361	3 597 788
Allowance for impairment of accounts receivable	9	1 090 423	73 952
Net finance costs	11	420 878	754 328
(Gain)/loss on disposal of property, plant and equipment		(200 580)	51 322
Gain on disposal of subsidiaries	6	(108 733)	(416 766)
Other non-cash activities		(17 474)	1 811
Operating profit before changes in working capital		4 600 837	1 427 818
(Increase)/decrease in accounts receivable and prepayments		(522 035)	296 286
Increase in inventories		(232 677)	(146 997)
Increase in other assets		(218 585)	(413 126)
Increase in accounts payable		4 476 198	1 515 842
Increase in employee payables		621 444	276 792
Increase in employee benefits		44 078	4 782
Decrease in other taxes payable		(121 291)	(162 831)
(Decrease)/increase in other liabilities		(554 213)	25 635
Cash flows from operations before income tax paid		8 093 756	2 824 201
Income tax paid in cash		(172 505)	(233 706)
Net cash flows from operating activities		7 921 251	2 590 495

OJSC IDGC of Siberia
Consolidated Statement of Cash Flows for the year ended 31 December 2011
(in thousands of Russian Roubles, unless otherwise stated)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(6 875 969)	(3 703 981)
Proceeds from disposal of property, plant and equipment		456 032	85 022
Acquisition of intangible assets		(34 176)	(72 107)
Proceeds from disposal of subsidiaries	6	13 910	4 949
Interest received		36 112	10 316
Proceeds from disposal of investments		-	2 709
Cash flows used in investing activities		(6 404 091)	(3 673 092)
FINANCING ACTIVITIES			
Proceeds from borrowings		7 524 906	15 454 857
Repayment of borrowings		(9 522 503)	(13 274 054)
Proceeds from share issue		1 743 202	-
Repayment of finance lease liability		(92 426)	(129 096)
Interest paid		(441 158)	(654 902)
Cash flows (used in)/from financing activities		(787 979)	1 396 805
Net increase in cash and cash equivalents		729 181	314 208
Cash and cash equivalents at beginning of year		454 450	140 242
Cash and cash equivalents at end of year	18	1 183 631	454 450

OJSC IDGC of Siberia

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	Share premium	Available-for-sale investments revaluation reserve	Retained earnings	Total equity attributable to shareholders of the Company	Non-controlling interests	Total
Balance at 1 January 2010	8 936 766	-	140 619	17 042 503	26 119 888	3 007	26 122 895
Loss for the year	-	-	-	(2 392 196)	(2 392 196)	357	(2 391 839)
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	85 027	-	85 027	-	85 027
Total other comprehensive income	-	-	85 027	-	85 027	-	85 027
Total comprehensive loss for the year	-	-	85 027	(2 392 196)	(2 307 169)	357	(2 306 812)
Balance at 31 December 2010	8 936 766	-	225 646	14 650 307	23 812 719	3 364	23 816 083
Balance at 1 January 2011	8 936 766	-	225 646	14 650 307	23 812 719	3 364	23 816 083
Loss for the year	-	-	-	(473 129)	(473 129)	(1 988)	(475 117)
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	(82 392)	-	(82 392)	-	(82 392)
Total other comprehensive income	-	-	(82 392)	-	(82 392)	-	(82 392)
Total comprehensive loss for the year	-	-	(82 392)	(473 129)	(555 521)	(1 988)	(557 509)
Transactions with owners, recorded directly in equity							
Share issue	544 750	1 198 452	-	-	1 743 202	-	1 743 202
Balance at 31 December 2011	9 481 516	1 198 452	143 254	14 177 178	25 000 400	1 376	25 001 776

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

1 Background

(a) The Group and its operations

Open Joint Stock Company Interregional Distribution Grid Company of Siberia (hereinafter – “the Company”) was founded to effectively manage the distribution electric grid complex of Siberia as part of the reform process in the Russian electric utilities industry. The Company was established in July 2005 (registered on 4 July 2005) in accordance with the laws of the Russian Federation and based on the Decree of the Chairman of the Board of Directors of the Open Joint Stock Company RAO United Energy System of Russia (hereafter - “RAO UES”) dated 1 July 2005, No. 149r.

The Company’s registered office is located at 144a, Bograda Street, Krasnoyarsk, Russia, 660021.

On 27 April 2007 the Board of Directors of RAO UES approved the structure of Interregional Distribution Grid Companies. Under the approved structure the following entities were incorporated into the Company: OJSC Altayenergo, OJSC Buryatenergo, OJSC Krasnoyarskenergo, OJSC Kuzbassenergo – RES, OJSC Omskenergo, OJSC Khakasenergo, OJSC Chitaenergo, OJSC Tyvaenergo – Holding. A merger of the Company with those entities was completed on 31 March 2008. The merger was effected through conversion of shares issued by the Company in exchange for shares in the merged entities. As a result of the merger, the above-mentioned entities ceased to exist as separate legal entities and the Company became their legal successor.

The subsidiaries of the Company are disclosed in note 5.

The Company’s and its subsidiaries (together referred to as the “Group”) principal activity is the transmission of electricity and the connection of customers to the electricity grid. The Group’s business is a national monopoly which is under the pressure and support of the Russian government. The Government of the Russian Federation influences the Group’s operations through setting transmission tariffs. The Group’s tariffs are controlled by the Federal Service on Tariffs and the Regional Energy Commissions.

On 1 July 2008 RAO UES ceased to exist as a separate legal entity and transferred the shares in the Company to JSC Interregional Distribution Grid Company Holding (hereinafter – “JSC IDGC Holding”), a newly formed state-controlled entity.

As at 31 December 2011 the Government of the Russian Federation owned 53.69% of the voting shares and 7.01% of the preference shares of JSC IDGC Holding (31 December 2010: 53.69% of the voting ordinary shares and 7.01% of the preference shares), which in turn owned 55.59% of the Company (31 December 2010: 52.88%).

(b) Business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements of the Group (hereinafter “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 for financial investments classified as available-for-sale and stated at fair value; and property, plant and equipment which were revalued to determine deemed cost as part of the adoption of IFRSs as at 1 January 2007.

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

(c) Functional and presentation currency

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

(d) Going concern

These Financial Statements have been prepared on a going concern basis.

The Group had a net working capital deficit of RUB 5 971 384 thousand as at 31 December 2011 (31 December 2010: RUB 2 682 192 thousand), primarily attributable to trade and other payables.

The Group monitors the level of liquidity on a regular basis. Management analyses maturities of the estimated cash flows from operating and financing activities and manages current liquidity using open credit lines (for more details refer to note 30). In 2010 the Group was able to change the structure of its loan portfolio from short-term to long-term bank loans with maturity dates of more than 3 years.

In order to increase efficiency of working capital management the Group is focused on an increased collection of trade receivables, including doubtful receivables. A plan was developed by the Group to decrease the level of overdue receivables from regional distribution entities and other customers. The issues regarding collection of receivables are considered by the Board of Directors on a quarterly basis.

As at 31 December 2011 trade accounts payables increased significantly in comparison with prior year end mainly as a result of incorrect setting of tariffs for Krasnoyarsk region. While setting energy distribution tariffs for 2011 Regional Energy Commission of Krasnoyarsk region did not take into account that the Company lost the main "last mile" consumer (OJSC RUSAL Krasnoyarsk Aluminium Smelter signed agreement for energy distribution with JSC FGC UES).

12 January 2012 Arbitral Court of Krasnoyarsk region decided that the order 299-n of 15 October 2010 by Regional Energy Commission of Krasnoyarsk region, with amendments 6-n of 25 January 2011 and 34-n of 30 June 2011, contradicts the federal law "On electric power", the government's act "On pricing of electric and thermal power in the Russian Federation", and the order 20-e/2 of 06 August 2004 of The Federal Tariff Service of the Russian Federation "On ratification of Guidelines for calculation of regulated tariffs and prices for electric heat energy in the retail (consumer) market" and was declared null and void. On 9 February 2012 the Regional Energy Commission of Krasnoyarsk region submitted an appeal against that decision. On 9 April 2012 the appeal was declined and the decision of Arbitral Court of Krasnoyarsk region from 12 January 2012 was left in force.

On 09 February 2012 the Company's division – Krasnoyarskenergo filed a claim in Court of Arbitration of Krasnoyarsk region for compensation of incurred losses in the amount of RUB 4 607 249 thousand from Krasnoyarsk region as a result of implementing unlawful legal acts. Given the amount of the claim and the lack of practice in respect of similar disputes in the region, the Group assesses its probability to win in court as possible.

The Group had overdue short-term accounts payable to JSC FGC UES of RUB 3 045 221 thousand as at 31 December 2011. On 26 March 2012 a claim for debt recovery was sent to the Group by JSC FGC UES concerning the amount of overdue short-term accounts payable and charging penalties for late payment in the amount of RUB 234 188 thousand.

Currently the Group is negotiating with JSC FGC UES debt restructuring. According to the arrangement concluded at the meeting held between the Company and JSC FGC UES on 17 February 2012 the Group is going to send appeals for deferment of debt collection until obtaining cash resulting from the Company's claims for compensation of damages for 2011 to the Administration of Krasnoyarsk region, without claiming penalty charges and appeal for concluding an agreement for debt moratorium of the current year liabilities for transmission services to "last mile" objects until the Group obtains cash owed by the consumers.

Management anticipates that any repayments of loans and borrowings and settlement of trade and other payables required will be met out of operating or financing cash flows. Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

(e) Use of estimates and judgements

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 Financial Statements is included in the following notes:

- Note 30 – allowances for impairment of trade and other receivables.

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 13 – recoverable amount of property, plant and equipment;
- Note 25 – employee benefits;
- Note 33 – contingencies.

(f) Changes in accounting policies and presentation

With effect from 1 January 2011, the Group changed its accounting policies in disclosure of information about related parties.

From 1 January 2011 the Group has applied revised IAS 24 Related Party Disclosures (2009). As the Group is a government-related entity it applies the exemption on disclosure of information about transactions with entities that are related parties because the Government of the Russian Federation has control, joint control or significant influence over them.

The Group discloses a share of sales to government-related entities and share of key purchases from such entities as quantitative indications of related-parties transactions.

The comparative disclosures were changed retrospectively as if new policies had been applied since the beginning of the earliest period presented. As this change affected disclosures only, there were no any changes in earnings per share.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by Group entities, except as explained in note 2(f), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. 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) 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.

(iii) Business combinations involving entities under common control

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

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(b) Financial instruments

(i) Non-derivative financial assets

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

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

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

Financial assets and liabilities are offset and the net amount presented in the consolidated 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 classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

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

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

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 above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g) (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 equity is reclassified to profit or loss.

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

All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, and trade and other payables.

(c) Share capital

Ordinary shares

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

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. 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 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, the costs of dismantling and removing of assets 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 capitalized as part of that equipment.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives 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	10-70 years;
Transmission networks	6-40 years;
Equipment for electricity transmission	4-30 years;
Other	1-30 years.

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

(iv) Leased assets

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

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

(e) Intangible assets

(i) Initial recognition

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

(ii) 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 recognized in profit or loss as incurred.

(iii) Amortization

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

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

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

Licenses and certificates	1-3 years;
Software	2-4 years.

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

(f) Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories includes all acquisition costs, production costs and other costs incurred in bringing them to their existing location and condition.

The cost of inventories is determined using the weighted average cost method.

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

(g) 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 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 equity securities are recognised by reclassifying losses accumulated in the fair value reserve in equity, to profit or loss. Any subsequent recovery in fair value of an impaired available-for-sale equity securities 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. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

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.

(h) Provisions

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

(i) Revenue

Revenue from electricity transmission is recognized in profit or loss when the customer acceptance of the volume of electricity transmitted is obtained. The tariffs for energy transmission are approved by the Federal Tariff Agency and Regional Energy Commission of each region of the Group's operations.

Revenue from connection services represents a non-refundable fee for connecting the customer to the electricity grid network. The tariffs for connection services are approved by the Federal Tariff Agency and Regional Energy Commission of each region of the Group's operations. 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 in proportion to the stage of completion.

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

(j) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. 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, finance leasing, unwinding of the discount on provisions and impairment losses recognised on financial assets other than trade and other receivables. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(k) Income tax

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

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

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

Deferred tax is not recognised for:

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

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

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

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. 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 realized.

(I) 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 pension fund of the Russian Federation, are recognised 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 benefits plan

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.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(iii) Other long-term employee benefits

The Group's net obligation in respect of non-current 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 and losses are recognized in profit or loss in the period in which they arise.

(iv) Short-term benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus 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 if the obligation can be estimated reliably.

(m) 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.

(n) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's 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 is presented in the Financial Statements in a manner similar to those provided to the Management Board. The amount of each segment item reported is the measure reported to the Management Board. Total amounts of segment information are reconciled to those in the Financial Statements (see note 7).

(o) 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 2011, 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. The Group has not yet determined the potential effect of the amendments.

- IAS 19 (2011) *Employee Benefits*. The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after 1 July 2013 and early adoption is permitted. The amendment generally applies retrospectively.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. 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. The Group does not intend to adopt this standard early.
- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single

source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- *Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.
- *Various Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2011. 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 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 securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

(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. This fair value is determined for disclosure purposes.

(c) 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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Group's subsidiaries

The Group's subsidiaries are disclosed below:

Subsidiaries:	Ownership, %	
	31 December 2011	31 December 2010
OJSC Tyvaenergo	98.96	98.96
OJSC AES	100.00	100.00
OJSC Omskelectrosetremont	100.00	100.00
OJSC Sotesfera	100.00	100.00
OJSC Buryatsetremont	100.00	100.00
OJSC Sibirsetremont	100.00	100.00
OJSC Mekhanizirovannaya colonna	100.00	100.00
OJSC AESC	-	80.00
JSC PSC of Siberia	100.00	-

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

In February 2011 the Board of Directors approved the decision on forming JSC Energoservisnaya Power Service Company of Siberia (JSC PSC of Siberia) with share capital amounted to RUB 1 000 thousand. The Company is the sole parent of JSC PSC of Siberia. The principal activity of this subsidiary is the provision of maintenance services for electricity grids.

6 Disposal of subsidiary

On 27 December 2011 the Group sold an 80 percent interest in OJSC AESC for a total amount of RUB 14 000 thousand. The subsidiary contributed RUB 106 514 thousand profit to the net loss for the year, including the gain on disposal of RUB 108 733 thousand.

The disposal of subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	Carrying amount at date of disposal
ASSETS	
Property, plant and equipment	49 097
Cash and cash equivalents	90
Trade and other receivables <i>(net of impairment allowance)</i>	40 838
Inventories <i>(net of provision for inventory obsolescence)</i>	33 258
Deferred tax assets	2 678
Other current assets	373
Total	126 334
LIABILITIES	
Trade and other payables	(221 067)
Total	(221 067)
Net liabilities	(94 733)
Consideration received in cash	14 000
Total consideration received	14 000
Gain on disposal (note 8)	108 733
Cash disposed of	90
Net cash inflow	13 910

During the year ended 31 December 2010 OJSC PSH "Energetic" was liquidated. All property, plant and equipment of OJSC PSH "Energetic" were sold and the proceeds were used to meet the subsidiary's obligations.

On 31 December 2010 the Group sold 75 percent of the voting shares of OJSC Zabaikalets-Energiya for a total amount of RUB 26 724 thousand. As a result of this transaction the Group lost control over OJSC Zabaikalets-Energiya.

On 29 December 2010 the Group sold a 100 percent interest in LLC Energo-leasing for a total amount of RUB 11 thousand. As a result of this transaction the Group lost control over LLC Energo-leasing and its subsidiaries LLC ASKOR, LLC TechnoLeasing and LLC DC "Altayenergo".

The disposal of subsidiaries had the following effect on the Group's assets and liabilities at the date of disposal for the year ended 31 December 2010:

	Carrying amount at date of disposal
ASSETS	
Property, plant and equipment	5 397
Cash and cash equivalents	229
Trade and other receivables <i>(net of impairment allowance of RUB 60 181 thousand)</i>	10 084
Inventories <i>(net of provision for inventory obsolescence of RUB 27 665 thousand)</i>	1 842
Deferred tax assets	9 874
Other current assets	9 218
Total	36 644

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)***LIABILITIES**

Trade and other payables	(426 675)
Total	(426 675)
Net liabilities	(390 031)
Consideration received in cash	5 178
Consideration received in property, plant and equipment	21 557
Total consideration received	26 735
Gain on disposal (note 8)	416 766
Cash disposed of	229
Net cash inflow	4 949

7 Operating segments

The Group has nine reportable segments representing branches and subsidiary of the Company, as described below. These are the Group's strategic business units. The strategic business units offer similar services representing transmission of electric power and connection services, and are managed separately. For each of the strategic business units, the Management Board, the Group's operating decision making body, reviews internal management reports.

"Others" include operations of Group subsidiaries. None of them meets any of the quantitative thresholds for determining reportable segments in 2011 or 2010.

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Management Board.

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

Segment capital expenditures are the total cost invested during the year to acquire property, plant and equipment.

OJSC IDGC of Siberia
Notes to the Consolidated Financial Statements for the year ended 31 December 2011
(in thousands of Russian Rubles, unless otherwise stated)

(i) Information about reportable segments as at and for the year ended 31 December 2011:

	Transmission							Total			
	Altayenergo	Buryatenergo	Gorno-Altayskie elektricheskie seti	RES	Kuzbassenergo - Krasnoyarsk-energo	Omskenergo	Khakas-energo		Chitaenergo	Tyvaenergo	Others
Revenue											
Electricity transmission	5 048 127	4 849 653	694 509	18 643 927	7 917 929	5 932 281	4 104 749	3 168 160	644 043		- 51 003 378
Connection services	9 479	123 947	60 123	152 620	252 632	4 351	12 070	846 772	32 070		- 1 494 064
Other	7 876	4 946	1 872	463 633	29 602	16 648	7 074	27 080	7 085	104 470	670 286
Total revenue from external customers	5 065 482	4 978 546	756 504	19 260 180	8 200 163	5 953 280	4 123 893	4 042 012	683 198	104 470	53 167 728
Inter-segment revenue	-	-	-	-	-	1 557	-	145	-	1 076 914	1 078 616
Total revenue	5 065 482	4 978 546	756 504	19 260 180	8 200 163	5 954 837	4 123 893	4 042 157	683 198	1 181 384	54 246 344
Segment operating profit/ (loss)	181 047	1 931 875	51 950	1 832 826	(3 417 130)	1 373 663	113 678	143 226	(68 670)	(45 747)	2 096 718
Finance income	-	99	-	-	78	22	10	6	124	615	954
Finance costs	(156 490)	(26 822)	(6 483)	-	(110 147)	(75 103)	(3 826)	(4 575)	(5 334)	(4 534)	(393 314)
Segment profit/ (loss) before income tax	(95 865)	685 686	23 628	1 685 239	(3 401 464)	1 362 321	361 476	156 220	(308 136)	(73 122)	395 983
Depreciation and amortization	639 226	236 927	130 781	595 749	584 179	316 805	168 516	505 834	31 217	40 600	3 249 834
Segment assets <i>Including property, plant and equipment</i>	9 142 105	3 559 513	2 381 937	9 489 990	8 481 738	6 146 713	2 611 808	6 132 181	1 277 922	559 054	49 782 961
	7 535 332	2 588 899	2 261 950	8 140 679	7 234 075	4 810 035	2 267 749	5 657 569	368 850	170 021	41 035 159
Segment liabilities	2 658 757	821 249	438 346	1 275 013	8 239 985	2 298 930	1 008 946	1 445 108	1 249 042	530 956	19 966 332
Capital expenditures	682 271	550 909	545 501	2 239 759	668 353	814 535	570 441	1 207 369	-	11 840	7 290 978

Segment operating loss of Krasnoyarskenergo caused by the termination of "last mile" agreement for electricity distribution with OJSC RUSAL Krasnoyarsk Aluminium Smelter.

OJSC IDGC of Siberia
Notes to the Consolidated Financial Statements for the year ended 31 December 2011
(in thousands of Russian Roubles, unless otherwise stated)

(ii) Information about reportable segments as at and for the year ended 31 December 2010:

	Transmission							Total			
	Altayenergo	Buryatenergo	Gorno-Altayskie elektricheskie seti	RES	Krasnoyarsk-energo	Omskenergo	Khakas-energo		Chitaenergo	Tyvaenergo	Others
Revenue											
Electricity transmission	4 589 901	3 176 628	617 295	15 815 920	5 934 649	5 051 858	3 391 284	2 934 192	673 509	-	42 185 236
Connection services	34 841	19 074	14 205	223 811	412 677	36 039	59 459	149 666	23 483	-	973 255
Other	11 244	20 332	2 588	8 295	233 233	595 815	4 780	25 583	8 592	269 957	1 180 419
Total revenue from external customers	4 635 986	3 216 034	634 088	16 048 026	6 580 559	5 683 712	3 455 523	3 109 441	705 584	269 957	44 338 910
Inter-segment revenue	-	-	-	-	-	4 139	-	-	-	1 225 942	1 230 081
Total segment revenues	4 635 986	3 216 034	634 088	16 048 026	6 580 559	5 687 851	3 455 523	3 109 441	705 584	1 495 899	45 568 991
Segment operating (loss)/ profit	(91 631)	(174 864)	21 358	1 420 873	(2 190 039)	807 763	219 807	(319 480)	3 706	28 468	(274 039)
Finance income	-	-	-	-	53	-	3	11	491	178	736
Finance costs	(339 756)	(43 616)	(9 857)	(22 871)	(113 179)	(97 689)	-	(2 416)	(4 646)	(1 412)	(635 442)
Segment (loss)/ profit before income tax	(506 358)	(278 024)	2 852	1 126 639	(2 524 724)	(306 752)	198 418	(343 075)	33 392	18 926	(2 578 706)
Depreciation and amortization	622 688	239 135	123 095	589 917	604 901	268 897	157 417	458 891	31 602	32 146	3 128 689
Segment assets	9 212 961	2 752 484	2 404 234	7 788 589	8 775 883	6 487 488	2 085 933	5 321 958	1 304 962	1 119 775	47 254 267
<i>Including property, plant and equipment</i>	7 513 659	2 274 788	1 911 800	6 583 365	7 130 696	4 354 666	1 832 580	4 981 493	351 623	246 225	37 180 895
Segment liabilities	4 480 900	834 965	648 698	1 173 482	3 859 808	2 737 243	353 072	427 174	993 587	958 636	16 467 565
Capital expenditures	449 768	240 951	200 003	861 734	473 051	902 253	279 273	444 585	67 126	15 328	3 934 072

Segment operating loss of Krasnoyarskenergo caused by the termination of "last mile" agreement for electricity distribution with OJSC RUSAL Krasnoyarsk Aluminium Smelter.

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

(iii) Reconciliations of reportable segments' revenues, profit or loss, assets and liabilities and other material items

Revenues:

	Year ended 31 December 2011	Year ended 31 December 2010
Total revenue for reportable segments	54 246 344	45 568 991
Inter-segment revenue elimination	(1 078 616)	(1 230 081)
Other adjustments	(896 542)	(556 610)
Unallocated	40 385	47 066
Consolidated revenue	52 311 571	43 829 366

Loss before income tax:

	Year ended 31 December 2011	Year ended 31 December 2010
Total profit/(loss) before income tax for reportable segments	395 983	(2 578 706)
Adjustment for depreciation of property, plant and equipment	(460 011)	(260 572)
Adjustments for financial lease	119 859	107 876
Discounting of accounts receivable	(45 217)	(53 664)
Adjustment for allowance for impairment of accounts receivable	50 111	725 372
Adjustment for change in fair value of available-for-sale investments	112 722	(85 027)
Recognition of employee benefits obligations	(25 899)	30 203
Capitalized interest	(558)	56 919
Discounting of accounts payable	(50 065)	(73 851)
Adjustment of revenue	(1 142 161)	(425 233)
Cut-off adjustment	668 873	(184 036)
Other adjustments	375 759	145 517
Unallocated	(309 434)	(39 415)
Consolidated loss before income tax	(310 038)	(2 634 617)

Total assets:

	31 December 2011	31 December 2010
Total assets for reportable segments	49 782 961	47 254 267
Inter-segment balances	(461 172)	(919 560)
Elimination of investments in subsidiaries	(387 378)	(481 370)
Adjustment for net book value of property, plant and equipment, including impairment loss	(1 893 352)	(1 984 472)
Recognition of financial assets related to employee benefit fund	504 783	486 604
Adjustment for prepaid expenses write-off	(84 044)	(168 979)
Discounting of accounts receivable	(110 388)	(65 170)
Adjustment for deferred tax	(681 873)	(453 635)
Adjustments for finance lease	(12 070)	(49 830)
Adjustment for allowance for impairment of accounts receivable	830 046	859 253
Accounts receivable not recognized or written-off	(1 279 928)	(614 662)
Other adjustments	(95 109)	77 169
Unallocated	2 767 347	812 734
Consolidated total assets	48 879 823	44 752 349

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)***Total liabilities:**

	31 December 2011	31 December 2010
Total liabilities for reportable segments	19 966 332	16 467 565
Inter-segment balances	(461 172)	(919 560)
Adjustment for deferred tax	1 192 822	1 544 563
Unused vacation and annual bonus provision	11 593	61 076
Finance lease liabilities	66 986	145 523
Employee benefit obligations	257 936	213 858
Discounting of accounts payable	(5 422)	(55 487)
Other adjustments	(159 460)	(183 488)
Unallocated	3 008 432	3 662 216
Consolidated total liabilities	23 878 047	20 936 266

For the year ended 31 December 2011 the Group had two major customers with individual turnover over 10% of total Group revenues in Kuzbassenergo-RES segment – RUB 6 646 425 thousand, in Krasnoyarskenergo segment - RUB 5 738 947 thousand (in 2010 - two major customers: in Kuzbassenergo-RES segment – RUB 6 344 682 thousand, in Krasnoyarskenergo segment – RUB 4 899 504 thousand).

8 Revenue and other operating income

	Year ended 31 December 2011	Year ended 31 December 2010
Revenue		
Electricity transmission	49 861 797	41 299 280
Connection services	1 544 548	1 151 533
Repairs and maintenance	86 282	250 780
Heat	14 326	206 278
Rent	150 433	170 134
Other	654 185	751 361
	52 311 571	43 829 366

Other operating income

	Year ended 31 December 2011	Year ended 31 December 2010
Fines and penalties	256 811	153 782
Gain on disposal of subsidiaries	108 733	416 766
Write-off of accounts payable	15 826	30 740
Write-off overdue tax fines and penalties	228 334	-
Other income	403 682	97 968
	1 013 386	699 256

In 2011 the Group has not recognised revenue of RUB 1 101 834 thousand for the electricity transmission services provided to OJSC Buryatenergosbyt. The legal issue regarding tariffs implementation is currently being considered in court. The Group believes that the court issue will be resolved in favour of the Group and revenue will be recognized in full amount.

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)***9 Operating expenses**

	Year ended 31 December 2011	Year ended 31 December 2010
Electricity transmission	25 056 549	19 505 658
Personnel costs (note 10)	10 139 055	8 413 706
Purchased electricity for compensation of technological losses	6 516 023	7 392 654
Depreciation and amortization	3 726 361	3 597 788
Raw materials and supplies	1 097 302	1 825 835
Repairs and maintenance	1 462 199	1 710 547
Consulting, legal and audit services	518 771	646 184
Transportation	419 655	573 361
Rent	303 139	250 477
Security	222 803	225 335
Taxes other than income tax	180 785	222 786
Telecommunication services	147 014	142 550
Insurance	108 025	124 155
Allowance for impairment of accounts receivable	1 090 423	73 952
Heat for own needs	64 832	60 778
Provision for inventory obsolescence	14 599	8 737
Other	2 146 582	1 634 408
	53 214 117	46 408 911

10 Personnel costs

	Year ended 31 December 2011	Year ended 31 December 2010
Wages and salaries	7 001 767	6 327 854
Payroll taxes	2 202 174	1 549 978
Expense in respect of post-employment defined benefit plan	128 689	92 312
Bonus provision and unused vacation expense	428 683	182 639
Other	377 742	260 923
	10 139 055	8 413 706

In 2011 the average number of employees (including production and non production employees) was 21 028 employees (2010: 19 962 employees).

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

11 Finance income and costs

	Year ended 31 December 2011	Year ended 31 December 2010
Finance income		
Effect of discounting of financial instruments	70 592	21 461
Interest income	36 112	10 316
Other	36 181	1 945
	142 885	33 722
Finance costs		
Interest expense	384 005	600 512
Effect of discounting of financial instruments	165 874	148 976
Interest on finance lease liabilities	13 884	25 479
Impairment of available-for-sale financial assets	-	13 083
	563 763	788 050

12 Income tax (expense)/benefit

	Year ended 31 December 2011	Year ended 31 December 2010
Current tax benefit/ (expense)		
Current year	(204 143)	(10 513)
Over provided in prior years	201 818	20 865
	(2 325)	10 352
Deferred tax benefit		
Origination and reversal of temporary differences	(40 945)	232 426
Change in tax base of property, plant and equipment	(332 169)	-
Recognition of tax loss carry-forwards as result of the recalculation of income tax from prior years	210 360	-
	(162 754)	232 426
Total income tax (expense)/benefit	(165 079)	242 778

The Group's applicable tax rate is the income tax rate of 20% for Russian companies.

Reconciliation of effective tax rate:

	Year ended 31 December 2011	%	Year ended 31 December 2010	%
Loss before income tax	(310 038)	(100)	(2 634 617)	(100)
Income tax benefit at applicable tax rate	62 008	20	526 924	20
Change in tax base of property, plant and equipment	(332 169)	(107)	-	-
Recognition of tax loss carry-forwards as result of the recalculation of income tax from prior years	210 360	68	-	-
Net tax effect of items which are not deductible / not taxable for taxation purposes	(307 096)	(99)	(305 011)	(12)
Over provided in prior years	201 818	65	20 865	1
	(165 079)	(53)	242 778	9

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

In 2011 the Group recalculated income tax for prior periods (2008-2010) related to the deductibility for tax purposes of certain operating expenses which were previously capitalized in the tax value of property, plant and equipment.

As a result, the Group recognized tax loss carry-forwards in the amount of RUB 1 051 805 thousand, which resulted in the income tax benefit in the amount of RUB 210 361 thousand. The tax loss carry-forwards was fully utilized in 2011. Also the Group corrected the tax value of property, plant and equipment which resulted in an increase of deferred tax liabilities of the Group in the amount of RUB 332 169 thousand.

13 Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/Deemed cost</i>						
Balance at 1 January 2010	7 527 854	24 589 051	7 212 191	3 644 761	1 309 907	44 283 764
Additions	38 418	17 052	87 279	219 902	3 567 635	3 930 286
Transfers	872 872	1 115 260	946 565	426 453	(3 361 150)	-
Disposals	(34 604)	(21 144)	(10 293)	(43 751)	(65 120)	(174 912)
Disposal of subsidiaries	-	-	-	(3 728)	(2 911)	(6 639)
Balance at 31 December 2010	8 404 540	25 700 219	8 235 742	4 243 637	1 448 361	48 032 499
Balance at 1 January 2011	8 404 540	25 700 219	8 235 742	4 243 637	1 448 361	48 032 499
Additions	89 323	180 611	85 819	396 287	6 747 509	7 499 549
Transfers	690 550	2 035 614	1 134 613	562 655	(4 423 432)	-
Disposals	(71 548)	(83 266)	(34 684)	(106 428)	(109 235)	(405 161)
Disposal of subsidiaries	-	-	-	(12 612)	(46 191)	(58 803)
Balance at 31 December 2011	9 112 865	27 833 178	9 421 490	5 083 539	3 617 012	55 068 084
<i>Depreciation</i>						
Balance at 1 January 2010	(1 012 820)	(5 104 685)	(1 586 825)	(1 280 825)	-	(8 985 155)
Depreciation for the year	(421 405)	(1 841 483)	(618 215)	(564 377)	-	(3 445 480)
Disposals	7 829	4 408	2 353	23 976	-	38 566
Disposal of subsidiaries	-	-	-	1 242	-	1 242
Balance at 31 December 2010	(1 426 396)	(6 941 760)	(2 202 687)	(1 819 984)	-	(12 390 827)
Balance at 1 January 2011	(1 426 396)	(6 941 760)	(2 202 687)	(1 819 984)	-	(12 390 827)
Depreciation for the year	(446 774)	(2 069 064)	(634 378)	(544 378)	-	(3 694 594)
Disposals	11 066	33 263	17 105	88 004	-	149 438
Disposal of subsidiaries	-	-	-	9 706	-	9 706
Balance at 31 December 2011	(1 862 104)	(8 977 561)	(2 819 960)	(2 266 652)	-	(15 926 277)
<i>Net book value</i>						
At 1 January 2010	6 515 034	19 484 366	5 625 366	2 363 936	1 309 907	35 298 609
At 31 December 2010	6 978 144	18 758 459	6 033 055	2 423 653	1 448 361	35 641 672
At 31 December 2011	7 250 761	18 855 617	6 601 530	2 816 887	3 617 012	39 141 807

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

As at 31 December 2011 construction in progress includes prepayments for property, plant and equipment of RUB 372 388 thousand (as at 31 December 2010: RUB 113 249 thousand).

The amount of capitalized interest in 2011 was RUB 55 962 thousand (in 2010: RUB 56 919 thousand). The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation in the year ended 31 December 2011 was 7.8 % (in 2010: 8.7 %).

Leased plant and machinery

The Group leases production equipment and transportation vehicles under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment. As at 31 December 2011 the net book value of leased property, plant and equipment was RUB 231 753 thousand (31 December 2010: RUB 349 322 thousand). The leased equipment secures lease obligations.

Determination of recoverable amount of property plant and equipment

The majority of the Group's property, plant and equipment is specialised in nature and is rarely sold on the open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales transactions for use of a market-based approach for determination of the fair value.

Therefore the value in use for property, plant and equipment as at 31 December 2011 was determined using projected cash flows. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets.

Each cash-generating unit is determined by the Group based on the geographical location of the Company's branches and subsidiaries which is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other groups of assets. The following key assumptions were used in determining the recoverable amounts of each of the cash-generating units:

- cash flows were projected based on actual operating results and the 2018-year or 2020-year forecast;
- forecasts cash flows were prepared for the period 2012-2020 based on the best estimate made by the Group's Management in respect of the transmission volumes, operating and capital expenditures and tariffs approved by regulatory bodies for 2012;
- except for Krasnoyarskenergo and Chitaenergo CGUs, distribution tariffs for forecasted period were estimated using a limitation of tariffs growth rate of 5.5%, 10.5% for 2012 and 2013 respectively and of 10% for 2014 and through the terminal period. Tariff growth rates for 2012-2014 were limited by regulatory requirements (Executive order of the Government of the Russian Federation #1178 as of 29 December 2011). Starting from 2015 it is assumed that the limitation of tariffs growth rate of 10% will be the same as in the last regulated period;
- for Krasnoyarskenergo and Chitaenergo CGUs the distribution tariffs for 2014 were determined based on current regulation and taken into account the termination of "last mile" agreements (Decree of the Government of the Russian Federation #1173 as of 27 December 2010). Distribution tariff growth in 2014 was 115.3% for Krasnoyarskenergo CGU and 77% for Chitaenergo CGU in comparison with the current tariffs for 2011. Starting from 2015 the limitation of tariffs growth rate of 10% was used for further periods;
- forecasted transmission volumes were determined based on the Company's one year business plan and historical transmission volumes with the level of production fixed over the forecast period; for Krasnoyarskenergo and Chitaenergo the "last mile" contracts terminated in prior periods were excluded for periods 2012-2014;
- the cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 12%;
- terminal growth rate of the net cash flows was expected at the level of 3% in the post-forecasted period.

As a result of testing as at 31 December 2011 no impairment loss was recognized.

An increase of one percentage point in the discount rate used would have caused the recognition of an impairment loss of RUB 1 370 324 thousand (including Krasnoyarskenergo – RUB 562 494 thousand, Chitaenergo – RUB

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)*

586 084 thousand, Gorno-Altayskie elektricheskie seti – RUB 221 746 thousand).

If distribution tariffs have been increased by 94.3% (instead of 115.3%) for Krasnoyarskenergo CGU and by 69.6% (instead of 77%) for Chitaenergo CGU in 2014 compared to the current tariffs for 2011 the recoverable amount of the tested property, plant and equipment for those CGUs would be equal to their book value.

14 Intangible assets

	Software	Licenses	Certificates	Other intangible assets	Total
<i>Cost</i>					
Balance at 1 January 2010	264 813	12 513	622 180	4 978	904 484
Additions	63 403	5 715	7 131	1 450	77 699
Disposals	-	-	(5 379)	(213)	(5 592)
Balance at 31 December 2010	328 216	18 228	623 932	6 215	976 591
Balance at 1 January 2011	328 216	18 228	623 932	6 215	976 591
Additions	33 669	-	685	422	34 776
Disposals	-	-	-	-	-
Balance at 31 December 2011	361 885	18 228	624 617	6 637	1 011 367
<i>Amortisation</i>					
Balance at 1 January 2010	(6 799)	(7 720)	(495 954)	(4 256)	(514 729)
Amortisation for the year	(26 450)	(8 680)	(116 708)	(470)	(152 308)
Balance at 31 December 2010	(33 249)	(16 400)	(612 662)	(4 726)	(667 037)
Balance at 1 January 2011	(33 249)	(16 400)	(612 662)	(4 726)	(667 037)
Amortisation for the year	(24 738)	(1 786)	(3 332)	(1 911)	(31 767)
Balance at 31 December 2011	(57 987)	(18 186)	(615 994)	(6 637)	(698 804)
<i>Net book value</i>					
At 1 January 2010	258 014	4 793	126 226	722	389 755
At 31 December 2010	294 967	1 828	11 270	1 489	309 554
At 31 December 2011	303 898	42	8 623	-	312 563

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

15 Deferred tax liabilities

Recognized deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	1 659	1 660	(3 500 283)	(3 266 857)	(3 498 624)	(3 265 197)
Inventories	-	-	(4 564)	(17 059)	(4 564)	(17 059)
Trade and other receivables	956	140 139	(22 301)	-	(21 345)	140 139
Other current assets	18 005	-	-	-	18 005	-
Trade and other payables	223 236	144 486	-	-	223 236	144 486
Tax loss carry-forwards	141 334	170 254	-	-	141 334	170 254
Other	131 483	66 325	(9 475)	(122 446)	122 008	(56 121)
Deferred tax assets/(liabilities)	516 673	522 864	(3 536 623)	(3 406 362)	(3 019 950)	(2 883 498)

Movements in temporary differences during the year

	1 January 2011	Disposal of subsidiary (note 6)	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2011
Property, plant and equipment	(3 265 197)	-	(233 427)	-	(3 498 624)
Inventories	(17 059)	-	12 495	-	(4 564)
Trade and other receivables	140 139	-	(161 484)	-	(21 345)
Other current assets	-	-	18 005	-	18 005
Trade and other payables	144 486	(61)	78 811	-	223 236
Tax loss carry-forwards	170 254	-	(28 920)	-	141 334
Other	(56 121)	(2 617)	151 766	28 980	122 008
Deferred tax assets/(liabilities)	(2 883 498)	(2 678)	(162 754)	28 980	(3 019 950)

	1 January 2010	Disposal of subsidiaries (note 6)	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2010
Property, plant and equipment	(3 547 915)	-	282 718	-	(3 265 197)
Inventories	6 242	(5 533)	(17 768)	-	(17 059)
Trade and other receivables	143 358	(1 015)	(2 204)	-	140 139
Other current assets	2 570	(2 570)	-	-	-
Trade and other payables	183 906	(122)	(39 298)	-	144 486
Tax loss carry-forwards	164 732	-	5 522	-	170 254
Other	(55 416)	(634)	3 456	(3 527)	(56 121)
Deferred tax assets/(liabilities)	(3 102 523)	(9 874)	232 426	(3 527)	(2 883 498)

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)***16 Investments and financial assets**

	<u>31 December 2011</u>	<u>31 December 2010</u>
<i>Non-current</i>		
Financial assets related to employee benefit fund	504 783	486 604
Available-for-sale investments	219 033	330 409
	<u>723 816</u>	<u>817 013</u>

Available-for-sale investments represent investments in shares of JSC TGK-13, JSC FGC UES and other securities, which are listed on MICEX, recorded at fair market value (Level 1 in the fair value hierarchy).

Financial assets related to employee benefit fund

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

The Group's exposure related to credit risks and impairment losses related to other investments and financial assets is disclosed in note 30.

17 Other non-current assets

	<u>31 December 2011</u>	<u>31 December 2010</u>
Trade accounts receivable	1 133	291 392
Other accounts receivable	461 084	21 380
VAT recoverable	-	20 385
Other non-current assets	25	27 736
	<u>462 242</u>	<u>360 893</u>

For more detailed information concerning the Group's exposure to credit risks and impairment losses related to trade and other receivables refer to note 30.

18 Cash and cash equivalents

Cash and cash equivalents mainly represent cash in bank accounts amounted to RUB 1 183 631 thousand denominated in roubles (31 December 2010: RUB 454 450 thousand). During 2011 the Group performed non-cash settlements offsetting of trade and other accounts receivables and payables with different counterparties for RUB 2 154 562 thousand (in 2010: RUB 6 182 643 thousand).

19 Trade and other receivables

	<u>31 December 2011</u>	<u>31 December 2010</u>
Trade receivables from electricity transmission and technological connection	4 910 060	4 142 379
Trade receivables from electricity transmission and technological connection impairment allowance	(1 098 781)	(110 700)
Other trade receivables	339 809	439 022
Other trade receivables impairment allowance	(152 628)	(120 629)
Other receivables	1 610 296	1 971 302
Other receivables impairment allowance	(543 205)	(555 203)
Total trade and other receivables	<u>5 065 551</u>	<u>5 766 171</u>

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)*

Prepayments	31 December 2011	31 December 2010
Prepayments	141 950	23 537
Prepayments impairment allowance	(60 566)	(7)
VAT prepaid	1 486	-
Other taxes prepaid	7 479	15 775
	90 349	39 305

For more detailed information concerning the Group's exposure to credit risks and impairment losses related to trade and other receivables refer to note 30.

20 Inventories

	31 December 2011	31 December 2010
Materials and supplies	724 869	564 543
Spare parts	170 584	164 662
Other inventories	75 234	47 672
Total inventories	970 687	776 877
Less: provision for inventory obsolescence	(26 881)	(12 282)
Net book value	943 806	764 595

As at 31 December 2011 and 2010 no inventories were pledged under the bank loan agreements.

21 Equity**(a) Share capital**

	31 December 2011	31 December 2010
Number of ordinary shares authorised, issued and fully paid (thousands)	94 815 163	89 367 655
Par value (in RUB)	0.10	0.10

(b) Issuance of additional shares

On 14 March 2011 the Board of Directors of the Company approved the additional issuance of 5 447 508 thousand ordinary shares of par value RUB 0.1 each. On 17 June 2011 the Company finished the private placement of the additional shares. The offering price was determined at RUB 0.32 per share. The whole number of the additional shares issued was purchased by JSC IDGC Holding for the total consideration of RUB 1 743 202 thousand paid in cash. Report of additional share issue was registered by the Federal Service for Financial Markets on 4 August 2011.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

As at 31 December 2011 and up to the date of approval of the Financial Statements the Group declared no dividends for 2011 and 2010.

OJSC IDGC of Siberia

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

(in thousands of Russian Roubles, unless otherwise stated)

22 Loss per share

	Year ended 31 December 2011	Year ended 31 December 2010
Weighted average number of ordinary shares for the year ended 31 December (thousands of shares)	92 307 817	89 367 655
Total loss attributable to shareholders of the Company	(473 129)	(2 392 196)
Loss per share (in Russian Roubles) – basic and diluted	(0.0051)	(0.0268)

23 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risks, refer to note 30.

Non-current liabilities

Name of lender		Effective interest rate, %		Maturity	31 December 2011	31 December 2010
		31 December 2011	31 December 2010			
OJSC JSCB ROSBANK	Unsecured	7.20%	7.6%	2013	1 660 000	1 660 000
OJSC JSCB ROSBANK	Unsecured	7.20%	7.9%	2013	629 000	1 576 507
JSC Sberbank*	Unsecured	8.45%	-	2013	608 651	-
JSC Sberbank*	Unsecured	7.15%	7.15%	2014	600 000	520 000
JSC Sberbank*	Unsecured	7.15%	-	2014	500 000	-
JSC Sberbank*	Unsecured	7.25%	-	2014	500 000	-
JSC Sberbank*	Unsecured	7.25%	-	2014	491 259	-
JSC Sberbank*	Unsecured	7.25%	-	2014	450 000	-
JSC Sberbank*	Unsecured	7.43%	7.43%	2014	300 000	300 000
JSC Sberbank*	Unsecured	7.87%	7.87%	2016	223 719	378 913
JSC Sberbank*	Unsecured	7.56%	7.56%	2014	200 000	200 000
JSC Sberbank*	Unsecured	7.15%	7.15%	2013	64 335	17 562
JSC Sberbank*	Unsecured	7.73%	7.73%	2014	27 465	200 000
OJSC Gazprombank*	Unsecured	9.60%	-	2014	25 000	-
JSC Sberbank*	Unsecured	-	7.60%	2012	-	1 450 000
OJSC JSCB ROSBANK	Unsecured	-	7.20%	2013	-	511 000
JSC Sberbank*	Unsecured	-	6.98%	2013	-	39 048
					6 279 429	6 853 030

Current liabilities

Name of lender		Effective interest rate, %		31 December 2011	31 December 2010
		31.12.2011	31.12.2010		
JSC Sberbank*	Unsecured	6.47%	-	317 454	-
OJSC Alfa-Bank	Unsecured	-	7.7%	-	1 765 000
Other loans and borrowings	Unsecured	-	-	29 550	6 000
				347 004	1 771 000

*- Loans from government-related entities

All the Group's borrowings are denominated in RUB and bear a fixed interest rate. The effective interest rate is the market interest rate applicable to the loan on the date of its receipt.

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)*

The carrying value of borrowings approximates their fair value.

24 Finance lease liability

The Group leases transportation vehicles, technical and other equipment under a number of finance lease agreements. Finance lease liabilities are payable as follows:

	31 December 2011			31 December 2010		
	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	71 496	(4 518)	66 978	91 761	(12 611)	79 150
Between one and five years	9	(1)	8	70 138	(3 760)	66 378
	71 505	(4 519)	66 986	161 899	(16 371)	145 528

The finance lease liabilities are secured by the leased assets.

25 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.

Movements in the net liability of the defined benefit obligations are as follows:

	31 December 2011	31 December 2010
Total present value of obligations	615 488	618 505
Unrecognised net actuarial loss	(163 082)	(183 195)
Unrecognised past service cost	(194 470)	(221 452)
Recognized liability for defined benefit obligations	257 936	213 858

The amounts recognized in profit or loss are as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Current service cost	27 722	26 500
Interest expense	47 205	42 742
Recognized past service costs	36 427	20 400
Recognized actuarial loss	17 335	2 670
Total periodical pension cost	128 689	92 312

The expense is recognized in the "personnel costs" as part of operating expenses.

Movements in the present value of the Group's employee benefit obligations are as follows:

	31 December 2011	31 December 2010
Defined benefit obligations at 1 January	618 505	521 800
Current service cost	27 722	26 500
Interest expense	47 205	42 742
Actuarial gains and losses	(2 778)	114 993
Benefits paid	(84 611)	(87 530)
Past service cost	9 445	-
Defined benefit obligations at 31 December	615 488	618 505

OJSC IDGC of Siberia
Notes to the Consolidated Financial Statements for the year ended 31 December 2011
(in thousands of Russian Roubles, unless otherwise stated)

Principal actuarial assumptions are as follows:

	2011	2010
Discount rate	8.50%	8.00%
Salary increase	5.50%	5.00%
Inflation rate	5.50%	5.00%

26 Other non-current liabilities

	31 December 2011	31 December 2010
Trade payables	-	5 510
Other payables and accrued expenses	25 161	12 318
Prepayments from customers for technological connection	84 784	596 265
	109 945	614 093

27 Employee payables

	31 December 2011	31 December 2010
Salaries and wages payable	569 013	376 252
Unused vacation provision	398 028	270 976
Annual bonus provision	460 028	158 396
	1 427 069	805 624

Provision for annual bonuses includes bonuses and other similar payments accrued (including compulsory social security contributions) based on employees' performance.

28 Trade and other payables

	31 December 2011	31 December 2010
Trade payables	9 131 117	4 250 352
Other payables and accrued expenses	1 301 393	1 928 723
Prepayments from customers for electricity transmission and technological connection	1 036 613	513 795
Other prepayments received	39 242	31 293
	11 508 365	6 724 163

29 Other taxes payables

	31 December 2011	31 December 2010
Value added tax	176 304	183 474
Tax fines and penalties	184 563	451 659
Compulsory social security contributions	198 181	116 491
Personal income tax	143 806	79 878
Other taxes	56 094	48 737
	758 948	880 239

30 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.

The Group does not have any significant exposure to currency risk on sales, purchases and borrowings, because no significant operations are denominated in a currency other than the functional currency of the Company and its subsidiaries, which is the Russian Rouble.

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 disclosure are included throughout these Financial Statements.

The Group's risk management policies deal with identifying and analyzing the risk faces by the Group, setting appropriate risk limits and controls, and monitoring risk 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.

(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.

To manage credit risk the Group attempts, to the fullest extent possible, to demand prepayments from customers. As a rule, prepayment for connection services is set in 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 incurred losses in respect of trade and other receivables that relate to individually significant exposures.

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)***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 2011	31 December 2010
Trade and other receivables	5 527 768	6 078 943
Cash and cash equivalents	1 183 631	454 450
Investments and financial assets	504 783	486 604
	7 216 182	7 019 997

The guarantees are disclosed in the note 33.

The Group's four most significant customers, regional distribution entities, account for RUB 1 070 814 thousand of the trade receivables carrying amount at 31 December 2011 (31 December 2010: three most significant customers, accounted for RUB 1 229 426 thousand).

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

	Carrying amount	
	31 December 2011	31 December 2010
Electricity transmission customers (regional distribution entities)	2 214 983	2 138 041
Electricity transmission customers (others)	1 549 735	1 891 979
Connection services customers	49 796	148 044
Other trade customers	185 079	463 400
	3 999 593	4 641 464

Impairment losses

The tables below analyze the Group's trade and other receivables into relevant groups based on the past due periods:

	At 31 December 2011		At 31 December 2010	
	Gross	Allowance	Gross	Allowance
Not past due	4 056 209	(5 495)	2 676 383	(11 050)
Past due 0-3 months	895 604	(67 776)	564 401	(49 930)
Past due 3-6 months	772 857	(454 515)	535 722	(22 801)
Past due 6-12 months	643 983	(390 055)	1 071 445	(45 601)
Past due more than 12 months	953 729	(876 773)	2 017 524	(657 150)
	7 322 382	(1 794 614)	6 865 475	(786 532)

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

	Year ended	Year ended
	31 December 2011	31 December 2010
Balance at 1 January	786 532	1 545 713
Net increase during the period	1 029 853	73 952
Provision used	(21 771)	(833 133)
Balance at 31 December	1 794 614	786 532

(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

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)*

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.

To manage the liquidity risk, the Group has negotiated credit lines with a pool of highly rated commercial banks. As at 31 December 2011 the Group had unused credit lines in the amount of RUB 3 193 941 thousand (as at 31 December 2010: RUB 778 238 thousand).

The contractual maturities of financial liabilities presented including estimated interest payments:

	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 as at 31 December 2011								
Loans	6 626 433	7 654 525	356 589	3 322 619	3 663 516	-	311 801	-
Finance lease liabilities	66 986	71 505	71 496	9	-	-	-	-
Trade and other payables	10 519 638	10 525 162	10 506 898	14 455	-	-	-	3 809
	17 213 057	18 251 192	10 934 983	3 337 083	3 663 516	-	311 801	3 809
Non-derivative financial liabilities as at 31 December 2010								
Loans	8 624 030	10 028 960	1 875 313	1 621 347	6 013 685	-	518 615	-
Finance lease liabilities	145 528	161 899	91 761	70 129	9	-	-	-
Trade and other payables	6 573 155	6 573 155	6 555 327	8 846	-	-	-	8 982
	15 342 713	16 764 014	8 522 401	1 700 322	6 013 694	-	518 615	8 982

Financial guarantees are disclosed in note 33.

(d) Market risk

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

(i) Interest rate risk

The Group's income and operating cash flows are largely independent of changes in market interest rates. The Group is exposed to interest rate risk only through market value fluctuations of loans and borrowings. The interest rates on most loans and borrowings are fixed. Changes in interest rates impact primarily loans and borrowings by changing their fair value (fixed rate debt).

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)**Profile*

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

Fixed rate instruments	Carrying amount	Carrying amount
	31 December 2011	31 December 2010
Loans and borrowings	6 626 433	8 624 030
Finance lease liabilities	66 986	145 528
	6 693 419	8 769 558

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 and loss, and the Group does not designate derivatives (interest rate 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.

(e) Fair values

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

The basis for determining fair value is disclosed in note 4.

Fair value of available-for-sale investments (refer to note 16) was determined in accordance with quoted prices at MICEX.

(f) 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 share capital at all times.

31 Operating lease

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

Land leases were entered in prior periods and represented land plots on which power lines, equipment for electricity transformation and other assets are located. The land leases typically run for an initial period of 5 to 49 years, with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

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

Operating lease rentals under non-cancellable leases are payable as follows:

	31 December 2011	31 December 2010
Less than one year	217 635	160 321
Between one year and five years	539 163	379 643
More than five years	4 714 556	3 016 845
	5 471 354	3 556 809

In 2011 the amount of rent expense under operating leases recognized in profit or loss was RUB 303 139 thousand (in 2010: RUB 250 477 thousand).

32 Commitments

(a) Capital commitments

The Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment and capital investment programme for RUB 4 311 380 thousand as at 31 December 2011, net of VAT (as at 31 December 2010: RUB 2 905 223 thousand).

33 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 property, plant and equipment, 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) Litigation

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management believes that these matters will not have a material adverse effect on the Group's financial position and operating results, except for those disclosed in note 33(f).

(c) Taxation contingencies

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

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

(d) Environmental matters

The Company 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. 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 issued financial guarantees for loans received by a lessor of the Group.

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)*

	Amount per agreement 31 December 2011	Amount per agreement 31 December 2010
OJSC Promsvyazbank	-	50 058
OJSC Sberbank	-	3 770
	-	53 828

(f) Other contingencies

The Group believes that the electricity services provided are in compliance with the Russian legislation regulating electric power transmission. However, based on the lack of elaboration of legislation that regulates the lease of Unified National (All-Russia) Electricity Network property (“last-mile”) in December 2011 the Company was the subject of lawsuit for RUB 2 665 903 thousand from LLC Rusenergosbyt concerning the legitimacy of the revenue recognition from the transmission of electricity via “last-mile” grids in the period from January to December 2009.

The potential amount of other claims cannot be reliably estimated as each claim would have individual legal circumstances and respective estimation would be based on variety of assumptions and judgements, which makes it impracticable.

The Group did not recognize any provision for those claims as it believes that it is not probable that related outflow of resources or decrease of benefits inflow will take place.

34 Related parties**(a) Control relationships**

The Company’s parent as at 31 December 2011 and 2010 was JSC IDGC Holding. The party with the ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of JSC IDGC Holding. The value of transactions and the amounts of outstanding balances with the parent company is disclosed below:

	Transaction value 2011	Outstanding balance 31 December 2011	Transaction value 2010	Outstanding balance 31 December 2010
Expenses				
Consulting, legal and audit services	269 430	15 896	317 040	31 176
	269 430	15 896	317 040	31 176

(b) Management remuneration

There are no transactions or balances with key management and their close family members except for remuneration in the form of salary and bonuses. Total remuneration paid to management for the year ended 31 December 2011 was RUB 98 885 thousand (2010: RUB 104 462 thousand).

Total remuneration paid to the members of the Board of Directors for the year ended 31 December 2011 was RUB 22 637 thousand (2010: RUB 8 413 thousand).

(c) Transactions with government-related entities

In the course of its operating activities the Group is also engaged in significant transactions with government-related entities. Revenues and purchases from government-related entities are measured at regulated tariffs where applicable.

Revenues from government-related entities for the year ended 31 December 2011 constitute 22.35% (year ended 31 December 2010: 21.86%) of total Group revenues, including 22.50% (year ended 31 December 2010: 21.39%) of electricity transmission revenues.

Electricity transmission costs for government-related entities for the year ended 31 December 2011 constitute 59.59% (year ended 31 December 2010: 57.86%) of total transmission costs.

OJSC IDGC of Siberia**Notes to the Consolidated Financial Statements for the year ended 31 December 2011***(in thousands of Russian Roubles, unless otherwise stated)*

Significant raised and repaid loans from state controlled entities are disclosed below (see also Note 23):

	<u>31 December 2010</u>	<u>Received</u>	<u>Repaid</u>	<u>31 December 2011</u>
Non-current loans and borrowings	3 105 523	4 899 143	(4 014 237)	3 990 429
Current loans and borrowings	-	317 454	-	317 454

	<u>31 December 2009</u>	<u>Received</u>	<u>Repaid</u>	<u>31 December 2010</u>
Non-current loans and borrowings	2 474 000	3 380 523	(2 749 000)	3 105 523
Current loans and borrowings	-	5 430 024	(5 430 024)	-