PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bld. 5
115054 Moscow
Russia
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Open Joint Stock Company "OGK-6":

We have audited the accompanying combined and consolidated financial statements of OJSC "OGK-6" and its subsidiaries (the "Group") which comprise the combined and consolidated balance sheet as at 31 December 2006 and 31 December 2005 and the related combined and consolidated statement of income, of cash flows and of changes in equity for the two years then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 accompanying combined and consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2006 and 31 December 2005, and its financial performance and its cash flows for the two years then ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 of the accompanying combined and consolidated financial statements. These combined and consolidated financial statements include carved out revenues and expenses related to the periods from 1 January 2005 to 31 March 2005 and 1 January 2005 to 30 September 2005 for electricity and heat generating divisions within OJSC Mosenergo and OJSC Vologdaenergo, respectively, predecessor legal entities that had other business activities. Because of the various determinations used in carving out such revenues and expenses, as described in Note 3 and elsewhere in these combined and consolidated financial statements, those revenues and expenses related to the electricity and heat generation operations within predecessor legal entities may not be indicative of revenues expected to be earned and costs expected to be incurred on a prospective basis for the electricity and heat generation operations within the Group as a separate business and, as such, these combined and consolidated financial statements may not be indicative of future results of operations and trends.

Without qualifying our opinion, we also draw your attention to Notes 1, 2 and 25 to the accompanying combined and consolidated financial statements. The Government of the Russian Federation has an ultimate controlling interest in the Group and Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
17 September 2007

OGK-6 Group

Combined and Consolidated Balance Sheet as at 31 December 2006 and 31 December 2005

(in thousand of Russian Roubles)

	Note	31 December 2006	31 December 2005 (Notes 1, 5)
ASSETS			
Non-current assets			
Property, plant and equipment	5	28,853,585	22,301,747
Other non-current assets	6	371,799	79,737
Total non-current assets		**29,225,384**	**22,381,484**
Current assets			
Cash and cash equivalents	7	143,258	271,999
Receivables and prepayments made	8	1,142,492	1,809,588
Inventory	9	2,968,762	2,335,909
Other current assets		208,860	180,593
Total current assets		**4,463,372**	**4,598,089**
TOTAL ASSETS		**33,688,756**	**26,979,573**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	26,731,061	23,008,617
Merger reserve		(9,937,275)	(8,600,000)
Retained earnings		2,282,917	(378,694)
Total equity attributable to the shareholders of the Group		**19,076,703**	**14,029,923**
Minority interest		-	1,318,841
Total equity		**19,076,703**	**15,348,764**
No-current liabilities			
Deferred income tax liabilities	11	3,856,647	2,825,332
Long-term debt		-	279,090
Restructured taxes		-	272,430
Pension liabilities	12	500,263	294,145
Other non-current liabilities	13	324,061	82,358
Total non-current liabilities		**4,680,971**	**3,753,355**
Current liabilities			
Current debt and current portion of non-current debt	14	6,515,341	5,133,034
Accounts payable and accrued charges	15	2,412,133	2,143,078
Income tax payable		222,360	30,387
Taxes payable	16	781,248	570,955
Total current liabilities		**9,931,082**	**7,877,454**
Total liabilities		**14,612,053**	**11,630,809**
TOTAL LIABILITIES AND EQUITY		**33,688,756**	**26,979,573**

General Director V. M. Sanko

Deputy General Director for Finance A. N. Selyakov

OGK-6 Group
Combined and Consolidated Statement of Income for the years ended 31 December 2006 and 31 December 2005
(in thousand of Russian Roubles)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005 (Notes 1, 5)
Revenues	17	28,644,404	21,767,232
Operating expenses	18	(29,044,154)	(22,123,351)
Release of impairment provision	5	7,132,709	-
Other operating income	19	140,668	861,627
Operating profit		**6,873,627**	**505,508**
Finance costs, net	20	(982,790)	(547,368)
Profit before income tax		**5,890,837**	**(41,860)**
Income tax (expense) / benefit	11	(1,799,394)	33,576
Profit / (loss) for the year		**4,091,443**	**(8,284)**
Attributable to:			
Shareholders of the Group		3,341,939	(41,806)
Minority interest		749,504	33,522
Earning / (loss) per ordinary share for profit attributable to the shareholders of the Group - basic and diluted (in Russian Roubles)	21	**0.1309**	**(0.0018)**

General Director — V. M. Sanko

Deputy General Director for Finance — A. N. Selyakov

The accompanying notes are an integral part of these combined and consolidated financial statement

OGK-6 Group

Combined and Consolidated Cash Flow Statement for the years ended 31 December 2006 and 31 December 2005

(in thousand of Russian Roubles)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005 (Notes 1, 5)
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit / (loss) before income tax		**5,890,837**	**(41,860)**
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation	5	2,443,687	2,747,352
(Release) / additional provision for impairment of accounts receivable	18	(104,315)	37,174
Interest expenses and effect of discounting	20	934,417	567,724
Write-down inventories	18	69,577	44,821
Forgiveness of tax penalties	19	(18,091)	(620,410)
Written-off accounts payables		-	(12,526)
Reversal of Impairment	5	(7,132,709)	-
Other		15,355	(11,358)
Operating cash flows before working capital changes and income tax paid		**2,098,758**	**2,710,917**
Working capital changes:			
Decrease / (increase) in accounts receivable and prepayments		645,471	(100,326)
(Increase) in inventories		(625,471)	(84,765)
(Increase) / decrease in other assets		(28,268)	18,994
Increase in other non-current assets		(196,578)	(168,525)
Increase / (decrease) in accounts payable and accruals		398,169	(40,946)
Increase in taxes payable other than income tax		(270,516)	(663,544)
Increase / (decrease) in other non-current liabilities		287,339	(261,288)
Cash provided by operating activities		**2,308,904**	**1,410,517**
Income tax paid		(433,580)	(323,694)
Net cash generated from operating activities		**1,875,324**	**1,086,823**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment and other non-current assets		(1,665,456)	(2,563,540)
Proceeds from sale of property, plant and equipment and other non-current assets		13,352	6,478
Net cash used in investing activities		**(1,652,104)**	**(2,557,062)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowing		-	987,679
Repayment of long-term borrowing		-	(637,900)
Proceeds from short-term borrowing		12,017,395	11,044,945
Repayment of short-term borrowing		(10,940,475)	(8,997,280)
Issuing shares		-	21,075
Dividend paid by the Group to the shareholders		(813,542)	(358,012)
Interest paid		(615,339)	(495,753)
Net cash generated from financing activities		**(351,961)**	**1,564,754**
Increase/(decrease) in cash and cash equivalents		**(128,741)**	**94,515**
Cash and cash equivalents at the beginning of the year		**271,999**	**177,484**
Cash and cash equivalents at the end of the year		**143,258**	**271,999**

General Director V.M. Sanko

Deputy Director General for Finance A.N. Selyakov

OGK-6 Group

Notes to Combined and Consolidated Statement of Changes in Equity for the years ended 31 December 2006 and 31 December 2005

(in thousands of Russian Roubles)

	Attributable to the shareholders of the Group						
	Ordinary share capital	Unpaid share capital	Merger reserve	Retained earnings	Total	Minority interest	Total equity
As at 1 January 2005 (Notes 1, 5)	23,008,617	(21,075)	(8,600,000)	-	14,387,542	1,301,114	15,688,656
Payments of share capital	-	21,075	-	-	21,075	-	21,075
Profit for the period	-	-	-	(41,806)	(41,806)	33,522	(8,284)
Dividends (Note 10)	-	-	-	(336,888)	(336,888)	(15,795)	(352,683)
As at 31 December 2005 (Notes 1, 5)	23,008,617	-	(8,600,000)	(378,694)	14,029,923	1,318,841	15,348,764
As at 1 January 2006	23,008,617	-	(8,600,000)	(378,694)	14,029,923	1,318,841	15,348,764
Profit for the period	-	-	-	3,341,939	3,341,939	749,504	4,091,443
Dividends (Note 10)	-	-	-	(680,328)	(680,328)	-	(680,328)
Payment of share capital	3,722,444		(1,337,275)	-	2,385,169	(2,068,345)	316,824
As at 31 December 2006	26,731,061	-	(9,937,275)	2,282,917	19,076,703	-	19,076,703

General Director V.M. Sanko

Deputy Director General for Finance A.N. Selyakov

Note 1. Group and its operations

Open Joint-Stock Company 'Sixth Power Generating Company on the Wholesale Energy Market' ("OJSC "OGK-6", or "the Company") was established on 17 March 2005 within the framework of the Russian electricity sector restructuring in accordance with the Resolution of the Chairman of the Management Board of OAO RAO Russian Open Joint-Stock Company for Energy and Electrification Unified Energy System of Russia ("RAO UES") dated 16 March 2005.

OJSC "OGK-6" and its subsidiaries form the OGK-6 Group ("the Group"). All the subsidiaries are disclosed in Note 25.

The Group specializes in electricity, heat generation and sales at the established tariffs and in accordance with the dispatch plans of electricity and heat loads.

The registered office of OJSC "OGK-6" is located at 49, Bolshaya Sadovaya st., Rostov-on-Don.

The Company has a Head office in Moscow (21 Mytnaya st., 115162, Moscow) which was set up following Decision No. 1 of the Board of Directors of April 11, 2005.

History of the Group. The Company was registered in the state register of the legal entities on March 17, 2005 by the then sole shareholder RAO UES that made contributions to the Company's charter capital in the form of shares of OJSC "Novocherkasskaya GRES" ("Novocherkasskaya GRES"), OJSC "KiGRES" ("Kirishskaya GRES"), OJSC "Ryazanskaya GRES" ("Ryazanskaya GRES") and OJSC "KGRES-2" ("Krasnoyarskaya GRES-2").

- On September 1, 2005 OJSC "OGK-6" signed management agreements with Novocherkasskaya, Kirishskaya, Ryazanskaya and Krasnoyarskaya-2 and started operations as their executive body.
- On October 1, 2005 OJSC "OGK-6" signed management agreement with OJSC "GRES-24" (GRES-24) and started operations as its executive body.
- On January 1, 2006 OJSC "OGK-6" signed management agreement with OJSC "Cherepovetskaya" (Cherepovetskaya) and started operations as its executive body.
- On March 17, 2006, shareholders of the entities listed below adopted decisions on reorganization through absorption merger into the Company and were merged with and into the Company on September 29, 2006. Following these absorption mergers, all of the entities listed below ceased to exist as separate legal entities and became branches of the Company.

OJSC "Novocherkasskaya GRES", OJSC "Ryazanskaya GRES" and OJSC "Krasnoyarskaya GRES-2" were established in 1993 by the way of privatization and since then had been subsidiaries of RAO UES. OJSC "KiGRES" was established in 2002. Its then sole shareholder RAO UES made contribution to the charter capital in the form of the assets of Kirishskaya GRES. In May, 2005 all the issued and outstanding shares in the abovementioned stations less one share per each station were contributed by RAO UES to the charter capital of the Company. On September 1, 2005 the Company signed management agreement with the above mentioned GRESes and started operations as their executive body. On September 29, 2006, the Company and its above mentioned GRESes have merged into a single legal entity, with GRESes operated as the branches of the Company.

OJSC "GRES-24" ("GRES-24") was incorporated on April 1, 2005 by contribution of a separate business from OJSC "Mosenergo" (Mosenergo) which was the RAO UES subsidiary. On October 1, 2005 the Company signed management agreement with GRES-24 and started operations as an executive body. Most of the key decisions however, had to be taken by Shareholder's meetings and the Board of Directors. During the period April 27, 2006 to May 29, 2006 shares of the Company were exchanged for the shares of GRES-24. As a result Company obtained control over GRES-24 (52%). On September 29, 2006 GRES-24 merged into and became a branch of the Company.

OJSC "Cherepovetskaya GRES" ("Cherepovetskaya GRES") was incorporated on October 1, 2005 by contribution a separate business from OJSC "Vologdaenergo" (Vologdaenergo), related RAO UES company, whose business consisted of numerous operations, including generation, distribution and sales of electric and heat energy. A part of the generation assets of Vologdaenergo was contributed to Cherepovetskaya GRES. On January 1, 2006 the Company signed management agreement with Cherepovetskaya GRES and started operations as an executive body. During the period April 27, 2006 to May 29, 2006 shares of the Company were exchanged for the shares of Cherepovetskaya GRES. As a result Company obtained control over Cherepovetskaya GRES (84%). On September 29, 2006 Cherepovetskaya GRES merged into and became a branch of the Company.

Operating environment of the Group. Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, existence of a currency that is not freely convertible in most countries and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

Relations with the state and current regulation. As at 31 December 2006 the Russian Federation owned 52.7% of the shares of RAO UES. In turn, as at 31 December 2006 RAO UES owned 93.48% of the OJSC "OGK-6". The Russian Government is the ultimate controlling party of the Company.

The Group's customer base includes a large number of entities controlled by the State. Furthermore, the State controls a number of the Group's fuel and other suppliers.

The Government of the Russian Federation directly affects the Group's operations through regulation by the Federal Tariff Service ("FTS"), with respect to its wholesale energy sales, and by the Regional Tariff Services ("RSTs"), with respect to its heat sales. The operations of all generating facilities are coordinated by JSC System Operator – Central Dispatch Unit of Unified Energy System ("SO-CDU") in order to meet system requirements in an efficient manner. SO-CDU is controlled by RAO UES.

Tariffs which the Group may charge for sales of electricity and heat are governed by regulations specific to the electricity and heat industry and by regulations applicable to natural monopolies. Historically, such tariffs have been based on a "cost-plus" system, meaning cost of service plus a margin, where costs are determined under the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), a basis of accounting which significantly differs from International Financial Reporting Standards ("IFRS"). In practice, tariff decisions were impacted significantly by social and political considerations, causing significant delays in tariff determinations and tariff increases that were lower than required to compensate for cost increases.

As discussed in Notes 2, 22 and 23, the government's economic, social and other policies could materially effect the operations of the Company.

Regulatory and sector restructuring. The Russian electric utilities industry in general and the Group in particular are presently undergoing a reform process designed to introduce competition into the electricity sector and to create an environment in which the Group can raise the capital required to maintain and expand current capacity.

The regulatory framework governing the process of reforming the Russian Federation electric utilities industry and the functioning of the industry, both during the transition period and subsequent to the completion of reforms, is set forth in the following legislation: Federal Law No. 35-FZ of 26 March 2003 "On the Electric Utilities" and Federal Law No. 36-FZ of 26 March 2003 "On the Specifics of the Functioning of Electric Utilities During the Transition Period and the Introduction of Amendments to Certain Russian Federation Legislative Acts and the Invalidation of Certain Russian Federation Legislative Acts in Connection with the Adoption of the Law "On the Electric Utilities of the Russian Federation".

As at 29 May 2003, the Board of Directors of RAO UES of Russia approved a "Concept of RAO UES of Russia strategy for the period from 2003 through 2008". This document provides a detailed description of the major changes that are planned to take place in respect of wholesale generation companies during the electric utilities reform program.

In October 2003, the Russian Federation Government issued Resolution No. 643 "On the Rules for the Wholesale Electricity Market during the Transition Period". According to the rules adopted, there will be two sectors within the Federal Wholesale Electricity Market (FOREM): regulated trading sector and free trading sector. Within the free trading sector, electricity suppliers will be able to sell electricity generated with the use of facilities and equipment accounting for 15% of the working capacity. Since November 2003, the non-commercial partnership "Trade System Administrator of the Wholesale Electricity Market", in accordance with the rules for the wholesale electricity market during the transition period, has been holding electricity bidding in the free trading sector.

A crucial step in developing a competitive wholesale electricity (capacity) market was the adoption of the new Wholesale Electric Power (capacity) Market (NOREM) Rules of the Transitional Period approved by Resolution of the Government of the Russian Federation No. 529 "On Improvement of the Functioning of the Wholesale Electricity Market (Capacity)" dated August 31, 2006 and which came into force on September 1, 2006. Under the new wholesale market framework, electricity and power purchase-and-sale transactions in the regulated market sector are to be governed by a regulated bilateral contract system. From 1 September 2006, regulated contracts covered all volumes of electricity and power produced and consumed.

From 2007 the volumes of electricity power and electricity capacity traded in the wholesale market at regulated prices will begin to be substantially reduced. The pace of reduction was set by the Russian Federation Government according to socio-economic development forecasts. In 2007 up to 90% of the forecasted production volumes will be traded at regulated prices. The period from 2006 to approximately 2011 is a transition period. After that, it is expected that a fully competitive wholesale market will develop.

Management believes that ultimately a stable regulatory regime and a competitive power market will be put in place such that the Group will be able to raise needed capital to sustain the business. However, there can be no assurance in this regard.

Note 2. Financial condition

As at 31 December 2006, the Group's current liabilities exceeded its current assets by RR 5,467,710 thousand (as at 31 December 2005 – by RR 3,279,365 thousand).

The Group is affected by Government policy through control of tariffs and other factors. The regional services on tariffs have not always permitted tariff increases in line with the Group's costs and thus some tariffs are insufficient to cover all the costs of generation and distribution of energy. Moreover, increases in these tariffs consider costs only on a Russian statutory basis and, accordingly, exclude additional costs recognised under an IFRS basis of accounting. As a result, tariffs may not consistently allow for an adequate return on investment and currently do not provide sufficient funds for the full replacement of property, plant and equipment. In addition, the Group also experiences difficulties with raising financing for investments in the assets used for generation, transmission and distribution of power.

The Group's management has engaged in the following actions in order to address the issues noted above and further improve the Group's financial position:

- introduction of improved financial budgeting procedures; a strong focus on timely cash collection of current and debtor balances; restructuring liabilities for repayment purposes during a longer time period;
- negotiations with federal and regional governments and regulators for real increases in tariffs to support adequate long term investment into the Group's generation, transmission and distribution assets (Note 1).

Note 3: Basis of preparation

Statement of compliance. These combined and consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention.

Each Group's entity individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"). The accompanying Financial Statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

Functional and presentation currency. The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the functional currency of each of the Group's entities and the currency in which these Financial Statements are presented. All financial information presented in RR has been rounded to the nearest thousand.

Inflation accounting. Prior to 1 January 2003 non-monetary assets acquired and non-monetary liabilities incurred or assumed have been adjusted for the changes in the general purchasing power of the RR in accordance with International Accounting Standards 29 ("IAS") ("Financial Reporting in Hyperinflationary Economies").IAS 29 requires that the financial statements are prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring current unit at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflation has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these financial statements.

Predecessor Accounting. In May, 2005 RAO UES (hereinafter – the Parent) transferred to OGK-6 shares that were owned by RAO UES in subsidiaries Ryazanskaya GRES, Novocherkasskaya GRES, Kirishskaya GRES and Krasnoyarskaya GRES-2 leaving one share in each subsidiary in its ownership. In April-May 2006 the additional shares of the Company were exchanged for the shares of GRES-24 and Cherepovetskaya GRES including those owned by the Parent. As a result of the transfer the Company became the owner of 52% of shares of GRES-24 and of 84% of shares of Cherepovetskaya GRES. In these financial statements, the Group accounted for this business combination amongst entities under common control using the predecessor values method. Accordingly, assets and liabilities of the transferred entities were accounted for at their carrying value, as determined by the Parent in its IFRS consolidated financial statements. Information in respect of the comparative period has been restated as if the business combination took place at the beginning of the earliest period presented. On September 29, 2006 these entities were merged into OJSC "OGK-6" and became branches.

Thus, starting from January 1, 2005 Ryazanskaya GRES, Novocherkasskaya GRES, Kirishskaya GRES, Krasnoyarskaya GRES-2, GRES-24 and Cherepovetskaya GRES are aggregated into the Group financial statements as branches of OJSC "OGK-6".

New accounting developments. Certain new IFRSs became effective for the Group from January 1, 2006. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

- IAS 39 (Amendment) – The Fair Value Option;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IAS 39 (Amendment) – Cash Flows Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment) – Financial Guarantee Contracts;
- IAS 21 (Amendment) – Net Investment in a Foreign Operation;

- IAS 19 (Amendment) - Actuarial gains and losses, the Group pension plans and disclosures.
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;
- IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from January 1, 2006).

The effect of adoption of the above new or revised standards and interpretations on the Group's financial position at December 31, 2006 and December 31, 2005 and on the results of its operations for the two years then ended was not material.

Other new standards or interpretations. The following standards interpretations are not yet effective and have not been applied in the preparation of these financial statements.

- IFRS 7 Financial Instruments: Disclosures (effective from January 1, 2007). The IFRS introduces new disclosure requirements for financial instruments. The volume of disclosures will increase significantly with an emphasis on quantitative aspects of risk exposures and the methods of risk management. The quantitative disclosures will provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures will cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Group is currently assessing what impact the new IFRS 7 and the amendment to IAS 1 will have on disclosures in its financial statements;
- IFRS 8 Operating Segments (effective for annual periods beginning on or after January 1, 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information;
- IFRIC 7, Applying the Restatement Approach under IAS 29, effective for annual periods beginning on or after March 1, 2006 (that is from January 1, 2007 for these financial statements). The Interpretation clarifies application of IAS 29 in the reporting period in which hyperinflation is first identified. It states that IAS 29 should initially be applied as if the economy has always been hyperinflationary. It further clarifies calculation of deferred income taxes in the opening balance sheet restated for hyperinflation in accordance with IAS 29.
- IFRIC 8, Scope of IFRS 2, effective for annual periods beginning on or after May 1, 2006 (that is from January 1, 2007 for these financial statements). The interpretation states that IFRS 2 also applies to transactions in which the entity receives unidentifiable goods or services and that such items should be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).
- IFRIC 9, Reassessment of Embedded Derivatives, effective for annual periods beginning on or after June 1, 2006. The Interpretation clarifies that an entity should assess whether an embedded derivative should be accounted for separately from the host contract when the entity first becomes party to the contact. Only if the contact subsequently is significantly modified the entity reassesses whether to separate or not.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006). The interpretation clarifies that an entity should not reverse an impairment loss recognised in previous interim periods in respect of goodwill or an investment in a financial asset carried at cost.
- IFRIC 11, IFRS 2 Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007). This Interpretation addresses how to apply IFRS 2 "Share-based Payment" to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent).
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008). The interpretation addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It does not address accounting for the government side of service concession arrangements.

- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008). The interpretation addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits.
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008). IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how a minimum refunding requirement might affect the availability of reductions in future contributions, and when a minimum refunding requirement might give rise to a liability. IFRIC 14 is not relevant for the Company's operations.
- IAS 23, Borrowing Cost (Amendment, applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009). The amendment eliminates the option of immediately recognizing as an expense borrowing costs that relate to the assets which requires substantial period of time to get ready for use or sale.

Going concern. The Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The future operations of the Group may be significantly affected by the current and future economic environment and the Group's financial condition as discussed above. The Group's restructuring can also have a significant impact on the Group's ability to realize its assets and on its future operations. The accompanying financial statements do not include any adjustments should the Group be unable to continue as a going concern.

Critical accounting estimates and assumptions. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Provision for impairment of accounts receivable. Provision for impairment of accounts receivable is based on the Group's assessment of whether the collectibility of specific customer accounts worsened compared to prior estimates. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

Provision for impairment of property, plant and equipment. At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the combined and consolidated statement of income in the period in which the reduction is identified. If conditions change and management determines that the value of an asset other than goodwill has increased, the impairment provision will be fully or partially reversed. Management has used various assumptions in the calculation of the recoverable value of property, plant and equipment (for further details see Note 5).

Useful lives of property, plant and equipment. The estimation of the useful lives of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Tax contingencies. Russian tax legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax positions cannot be sustained, an appropriate amount is accrued for in these IFRS financial statements.

Carve-out methodologies. These consolidated and combined financial statements include carved out financial statement data of Cherepovetskaya GRES and GRES-24 for the period and from the predecessor legal entities as outlined in the table below.

(in thousands of Russian Roubles)

Power stations	Predecessor legal entity	Period requiring carve-out accounting
Cherepovetskaya GRES	Vologdaenergo	9 months ended September 30, 2005
GRES-24	Mosenergo	3 months ended March 31, 2005

In carving out this financial statement data, the following determinations were made:

- electricity and heat sales were based on actual electricity and heat power production volume multiplied by actual tariffs approved by RSTs for the power stations (Cherepovetskaya GRES and GRES-24) after their spin-off from the predecessor legal entities for the year 2005;
- operating expenses were determined on an actual basis;
- depreciation of property, plant and equipment was calculated on IFRS predecessor values;
- current profit tax was determined using the effective profit tax rate of the predecessor entities;
- deferred profit tax was determined from movements in deferred tax assets/liabilities between January 1, 2005 and the date of set up of the power stations as stand-alone legal entities;
- property, plant and equipment were based on IFRS predecessor values and rolled back to January 1, 2005 taking into account additions and disposals before their spin-off;
- accounts payable, taxes payable, accounts receivable, inventories were determined on an actual basis.

Note 4: Summary of significant accounting policies

Principles of consolidation. These financial statements comprise the financial statements of OJSC "OGK-6" and the financial statements of those entities whose operations are controlled by OJSC "OGK-6". Control is presumed to exist when OJSC "OGK-6" controls directly or indirectly through subsidiaries, more than 50 percent of voting rights.

a) Subsidiaries

The financial statements of subsidiaries are included in the combined and consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The subsidiaries' financial statements have been adjusted to uniform accounting policies with the Group Minority interest is included in the Group's equity.

b) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized gains arising from inter-company transactions, are eliminated in preparing the combined and consolidated financial statements.

Minority interest. Minority interest represents the minority shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the minority's ownership percentage of these subsidiaries. In purchases of minority interest, difference, if any, between the carrying amount of a minority interest and the amount paid to acquire it is recorded directly in equity.

Seasonality. Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power. Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

Transfers of subsidiaries between parties under common control. Transfers of subsidiaries between parties under common control are accounted for using the predecessor basis of accounting method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented. The assets and liabilities of the subsidiary transferred under common control are recognised at the predecessor entity's carrying amounts. Any difference between the carrying amount of net assets and the nominal value of share capital contributed is accounted for in these consolidated financial statements as an adjustment to equity (Note 10).

Dividends. Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared (approved by shareholders) before or on the balance sheet date. Dividends are disclosed when they are declared after the balance sheet date, but before the financial statements are authorized for issue.

Property, plant and equipment. As at December 31, 2006 property, plant and equipment are stated at the carrying value determined in accordance with the IFRS as at the date of their transfer to the Group by the Predecessor, and adjusted taking into account further additions, disposals and depreciation charges.

Renewals and improvements are capitalized and the assets replaced are retired. The cost of repair and maintenance are expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the income statement as incurred.

(in thousands of Russian Roubles)

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. For the property, plant and equipment which were subject to the third party valuation as at 31 December 1997, the depreciation rate applied is based on the estimated remaining useful life as at the valuation date.

The useful lives, in years, of assets by type of facility are as follows:

Type of facility	Acquired prior to 31 December 1997	Acquired subsequent to 31 December 1997
Electricity and heat generation	4-63	20-50
Electricity distribution	5-27	25
Heating networks	11-18	20
Other	8	10

Loan charges received for the financing of construction of property, plant and equipment are not capitalized within the cost of property, plant and equipment object during the period needed for the finalization of construction works and preparation for planned use.

Cash and cash equivalents. Cash comprises cash in hand and cash on demand deposited at banks. Cash equivalents comprise short-term highly liquid investments that are readily convertible into cash and have a maturity of three months or less from the date of acquisition, and are subject to insignificant changes in value.

Accounts receivable and prepayments. Accounts receivable are recorded inclusive of the value added taxes which are payable to the tax authorities upon collection of such receivables. Trade and other receivables are adjusted for provision made for impairment of these receivables. Such a provision for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rate at the date of origination of the receivables.

Value added tax on purchases and sales. Output VAT related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice.

The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an current asset or liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related deferred VAT liability is maintained until the debtor is written off for tax purposes.

Inventories. Inventories are valued at the lower of net realizable value and weighed average acquisition cost.

Income tax. The income tax expense represents the sum of the current tax payable and deferred income tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of operations because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been substantially enacted by the balance sheet date.

Deferred income taxes. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Deferred tax is not provided for the undistributed earnings of subsidiaries, as the Group requires profits to be reinvested, and only insignificant dividends are expected to be declared from future profits of the subsidiaries.

Accounts payable and accrued charges. Accounts payable are stated inclusive of value added tax. If accounts payable are restructured and the discounted present value of the cash flows under the restructured terms discounted using the original effective interest rate differs by more than ten percent from the discounted present value of the remaining cash flows of the original financial liability, then the fair value of the restructured payable is measured as the discounted present value of the cash flows under the restructured terms. The amount of the discount is credited to the statement of operations (finance costs) as a gain on restructuring, and the non-current portion of the discounted payable is reclassified to other non-current liabilities. The difference, if any, between the fair value of the restructured payable on its initial recognition and the maturity amount is amortised over the period until the maturity of the payable as an interest expense.

Debt. Debt is recognised initially at its fair value. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective interest rate method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of operations as an interest expense over the period of the debt obligation. All borrowing costs, including those on borrowings used to finance construction of property, plant and equipment are recognised as an expense in the period in which they are incurred.

Pension and post-employment benefits. In the normal course of business the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred in employee benefit expenses and payroll taxes in the income statement.

A number of Group entities operate defined benefit plans that cover the majority of the Group's employees. Benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and unrecognized past service cost. The defined benefit obligations are calculated using the Projected Unit Credit Method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions and exceeding the higher of 10% of the defined benefit obligations and fair value of plan assets are charged or credited to the statement of operations over the average remaining service lives of employees starting from the next reporting period.

Past service costs are amortized over vesting period of 10.5 years.

Foreign currency. Monetary assets and liabilities, which are held by the Group entities and denominated in foreign currencies at the balance sheet date, are translated into roubles at the exchange rates prevailing at that date. Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of operations.

Environmental liabilities. Liabilities for environmental remediation are recorded when there is a present obligation, the payment is probable and reliable estimates exist, as well as when there is a possibility of related costs emerging.

Revenue recognition. Revenue is recognized on the delivery of electricity, heat and on the dispatch of non-utility goods and services during the period. Revenue amounts are presented exclusive of value added tax. Revenue is based on the application of authorized tariffs for electricity sales as approved by the Regional Tariffs Authorities.

Social expenditure. To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognized in the income statement as incurred.

Segment reporting. The Group operates predominantly in a single geographical area and industry, the generation of electric power and heat in Russian Federation. The generation of electricity and heat are related activities and are subject to similar risks and returns, therefore they are reported as one business segment.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognized as rental income on a straight-line basis over the lease term.

Earnings per share. The earnings per share are determined by dividing the profit attributable to ordinary shareholders of the parent of the Group by the weighted average number of ordinary shares outstanding during the reporting period.

Interest. Interest income and expense are recognized in the income statement for all debt instruments on an accrual basis using the effective rate of interest method. Interest income includes nominal interest and amortized discount and premium. When loan collection becomes doubtful, loans are written down to their recoverable amount and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fair value measurement. The fair value of accounts receivable for the purposes of financial satatements preparation is measured by discounting the value of expected cash flows at the market rate of interest for similar borrowers at the reporting date.

(in thousands of Russian Roubles)

The fair value of financial liabilities and other financial instruments (except if publicly quoted) for disclosure purposes is measured by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of publicly quoted financial instruments for disclosure purposes are measured based on current market value at the close of business on the reporting date.

Note 5. Property, plant and equipment

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Opening balance as at 1 January 2006	35,227,210	2,375,203	191,607	8,383,724	960,960	**47,138,704**
Additions	370,388	-	656	273,160	1,423,919	**2,068,123**
Transfers	733,184	26,562	-	648,972	(1,408,718)	-
Disposals	(29,654)	(84,498)	-	(58,049)	(135,912)	**(308,113)**
Closing balance as at 31 December 2006	36,301,128	2,317,267	192,263	9,247,807	840,249	**48,898,714**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2006	17,811,968	1,445,912	65,649	5,513,428	-	**24,836,957**
Charge for the year	1,941,754	71,535	9,985	420,413	-	**2,443,687**
Disposals	(13,615)	(44,802)	-	(44,389)	-	**(102,806)**
Reversal of impairment provision	(6,594,956)	(216,433)	(509)	(320,811)	-	**(7,132,709)**
Closing balance as at 31 December 2006	13,145,151	1,256,212	75,125	5,568,641	-	**20,045,129**
Net book value						
Closing balance as at 31 December 2006	23,155,977	1,061,055	117,138	3,679,166	840,249	**28,853,585**

Cost	Electricity and heat generation	Electricity transmission	Heating networks	Other	Construction in progress	Total
Opening balance as at 1 January 2005	32,986,850	2,428,692	161,946	7,883,580	1,227,181	**44,688,249**
Additions	1,660,940	-	44,949	88,239	917,375	**2,711,503**
Transfers	629,243	2,522	-	436,935	(1,068,700)	-
Disposals	(49,823)	(56,011)	(15,288)	(25,030)	(114,896)	**(261,048)**
Closing balance as at 31 December 2005	35,227,210	2,375,203	191,607	8,383,724	960,960	**47,138,704**
Accumulated depreciation (including impairment)						
Opening balance as at 1 January 2005	15,991,800	1,417,270	58,486	4,753,959	-	**22,221,515**
Depreciation for the year	1,861,970	80,527	22,443	782,412	-	**2,747,352**
Disposals	(41,802)	(51,885)	(15,280)	(22,943)	-	**(131,910)**
Closing balance as at 31 December 2005	17,811,968	1,445,912	65,649	5,513,428	-	**24,836,957**
Net book value						
Closing balances at 31 December 2005	17,415,242	929,291	125,958	2,870,296	960,960	**22,301,747**

Construction in progress represents the carrying amount of property, plant and equipment that has not yet been put into operation.

Depreciation is charged once property, plant and equipment is available for use in the production.

Other property, plant and equipment include motor vehicles, computer equipment, office fixtures and other equipment.

The assets transferred to the Group upon privatization did not include the land on which the Group's buildings and facilities are situated. The Group has the option to purchase this land upon application to the state registration body or to formalise the right for rent. According to Russian legislation, the expiry date to this option is 1 January 2008. The Group's companies have not filed any application to exercise the purchase option as at 31 December 2006.

(in thousands of Russian Roubles)

A portion of property, plant and equipment additions has been settled through mutual settlement, barter and other non-cash transactions. Non-cash transactions in respect of property, plant and equipment are:

	Year ended 31 December 2006	Year ended 31 December 2005
Non-cash acquisitions	261,263	76,304
Non-cash proceeds from the sale of property, plant and equipment	44,868	1,104

Impairment provision for property, plant and equipment Management has used various assumptions in the calculation of the recoverable value of property, plant and equipment. Variations in these assumptions may give rise to a significantly different amount for the impairment provision.

Cost and accumulated depreciation of transferred assets including the impairment provision were accepted by the Group as at the time of assets transfer from the Predecessor, RAO UES. Management assessed the adequacy of the existing impairment provision as at 31 December 2005 and concluded that the provision amount as at the time of transfer is still appropriate.

In 2006 the management has concluded that at the reporting date there were indications for reversing previously recognized impairment losses based on significant changes with a favorable effect on the Group that have occurred or are expected to occur in the near future in the market and economic environment in which the Group operates. Such changes include:

- upward revisions, based on recent trends, in the expected growth of demand for electricity and heat in the regions in which the Group operates;
- higher degree of certainty about the free trading sector for electricity, which has been enacted by the government of the Russian Federation as of August 2006 (see Note 1);

The impairment provision included in accumulated depreciation balance as at December 31, 2005 was RR 7,699,110 thousand. As at December 31, 2006 the impairment provision has been reversed in amount of RR 7,132,709 thousand.

These developments have resulted in a change to the assumptions that were used to determine the value in use of assets that comprise the cash generating units. An impairment review has been carried out by comparing the recoverable amount of the individual cash generating units with their net book values. For the purposes of the review, each of the Group's power plants was used as the relevant cash generating unit. The recoverable amount was generally based on value in use, which was calculated based on estimated future cash flows using various assumptions including the following:

- Electricity tariffs in the regulated sector will be increased by 17.1 - 28.7%, 10.3 - 19.8%, 7.6 - 25.6% for the years ended December 31, 2008, 2009 and 2010, respectively;
- Electricity tariffs in the free market sector will be increased by 8.4%, 11.9%, 17.2% for the years ended December 31, 2008, 2009 and 2010, respectively;
- Heat tariffs will be increased by 17%, 18.2% and 18.4% for the years ended December 31, 2008, 2009 and 2010, respectively;
- Gas price will be increased by 25%, 27.7% and 27.7% for the years ended December 31, 2008, 2009 and 2010, respectively;
- Growth of gas prices and other operating costs will be accounted for by the Regional Tariff Service in the course of establishing regulated electricity and heat tariffs on a "cost-plus" basis;
- Inflation rate will not exceed 6.5% year;
- Increase of major variable cost will exceed the inflation rate;
- The pre-tax discount rate used to determine assets value in use is equal to 13.28% up to the year 2009 and 14.16% in the years 2010-2025.

Gas price, heat tariffs and electricity tariffs (in the regulated sector) approved by respective regulators for 2007 indicates increases of 15%, 11.5% and 6.5%, respectively in comparison with the year ended 31 December 2006.

Operating Leases. The Group leases a number of land areas owned by local government under operating lease. Land lease payments are determined by lease agreements.

Operating land lease rentals are payable as follows:

	31 December 2006	31 December 2005
Less than one year	40,919	115,029
Between one and five years	124,244	8,351
More than five years	59,250	682
Total	**224,413**	**124,062**

(in thousands of Russian Roubles)

Generally the leases run for an initial period of 5-49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

Operating lease rentals for other fixed assets are payable as follows:

	31 December 2006	31 December 2005
Less than one year	4,515	14,764
Between one and five years	568,114	261,766
More than five years	-	-
Total	**572,629**	**276,530**

Note 6. Other non-current assets

	31 December 2006	31 December 2005
Other Accounts Receivable (net of provision for impairment of accounts receivable of RR 214 623 thousand as of 31 December 2006 and 28 330 thousand as of 31 December 2005)	216,765	58,560
Taxes receivables (Long-term part)	146,301	21,177
Other non-current assets	8,733	-
Total	**371,799**	**79,737**

Note 7. Cash and cash equivalents

	31 December 2006	31 December 2005
Cash at bank and in hand	143,258	271,999
Total	**143,258**	**271,999**

There are no cash equivalents.

Note 8. Accounts receivable and prepayments

	31 December 2006	31 December 2005
Trade receivables (net of provision for impairment of accounts receivable of RR 124 401 thousand as of 31 December 2006 and RR 557 055 thousand as of 31 December 2005)	502,186	617,983
VAT recoverable	86,861	436,734
Advances to suppliers and prepayments (net of provision for impairment of accounts receivable of RR 50,957 thousand as of 31 December 2006 and RR 36 629 thousand as of 31 December 2005)	254,124	406,809
Other receivables (net of provision for impairment of accounts receivable of RR 78 598 thousand as of 31 December 2006 and RR 233,947 thousand as of 31 December 2005)	299,321	348,062
Total	**1,142,492**	**1,809,588**

The provision for impairment of accounts receivable was calculated based on analysis of collectibility.

Management has determined the provision for impairment of accounts receivable based on specific customer identification, customer payment trends, subsequent receipts and settlements and analysis of expected future cash flows. Fair valuation of future cash flows was based on the expected collection date and 16-17% discount rate. The discounting effect is recorded in the provision for impairment of accounts receivable. The management of the Group believes that Group entities will be able to realize the net receivable amount through direct collections and other non-cash settlements, and that therefore the recorded value approximates their fair value.

Note 9. Inventories

	31 December 2006	31 December 2005
Fuel supplies	2,053,934	1,203,236
Spare parts	529,937	681,889
Materials and supplies	369,921	395,839
Other inventories	14,970	54,945
Total	**2,968,762**	**2,335,909**

(in thousands of Russian Roubles)

Inventory balances as of December 31, 2006 and December 31, 2005 include inventories in the amount of RR 165,000 thousand and RR 529,282 thousand, respectively, which were pledged as collateral under loan agreements.

Note 10. Equity

Basis of presentation of movements in equity

The Group was formed by the combination of a number of businesses under common control. Because of the consequent use of the predecessor basis of accounting (see Note 3), the principal component of the net equity recognised for the Group is based on the historic carrying value of the net assets of the businesses contributed as recorded in the IFRS financial records of the predecessor enterprises, rather than the fair values of those net assets. Similarly, for the purpose of comparability, the equity of the Group has been presented for comparative periods and as at January 1, 2005 as if the current Group structure had existed from January 1, 2005 (see Note 3). As the Group was formed as a result of a series of share issues completed after January 1, 2005, the equity statement reflects additions to share capital in the amount equal to the statutory nominal value of the shares issued which is based on the fair value of the net assets of the businesses contributed. In accordance with the predecessor basis of accounting, the effect of such additions to equity is offset by a corresponding increase in the merger reserve and reduction in minority interest.

Share capital

	Number of shares issued and fully paid	31 December 2006	31 December 2005
Ordinary shares	26,731,061,492	26,731,061	23,008,617

As at 17 March 2005 the number of issued ordinary shares amounted to 23 008 616 898 with a par value of RR 1.00 each.

In the year 2005 contributions to the Company's share capital were effected as follows:

- cash contributions amounted to RR 21,075 thousand;
- RR 5 907 706 thousand were contributed by the way of ordinary shares of JSC "Ryazanskaya GRES" in amount of 241,408,735 shares with the par value of RR 1 each. The value of the investment was assessed by an independent appraiser;
- RR 7,011,357 thousand were contributed by the way of ordinary shares of JSC "Kirishskaya GRES" in amount of 224,629,832 shares with the par value of RR 10 each. The value of the investment was assessed by an independent appraiser;
- RR 6,481,225 thousand were contributed by the way of ordinary shares of JSC "Novocherkasskaya GRES" in amount of 225,309,233 shares with the par value of RR 1 each. The value of the investment was assessed by an independent appraiser;
- RR 3,587,254 thousand were contributed by the way of ordinary shares of JSC "Krasnoyarskaya GRES" in amount of 199,370,745 shares with the par value of RR 0.5 each. The value of the investment was assessed by an independent appraiser;

On June 20, 2006 the report on results of 2,776,435,233 additional ordinary shares issue of the Group with a value of RR 1.00 each was registered. These shares were exchanged for the ordinary shares of JSC "GRES-24", JSC "Cherepovetskaya GRES" and for assets contributed by RAO UES.

On November 8, 2006 six reports on results of 946,009,361 additional ordinary shares issue of the JSC OGK-6 with a value of RR 1.00 each were registered. On September 29, 2006 these shares were exchanged for the ordinary shares of the following GRES:

- the ordinary shares of the JSC "Cherepovetskaya GRES" were exchanged for 360,964,952 additionally issued ordinary shares of JSC OGK-6 with the value of RR 1.00 each;
- the ordinary shares of the JSC "GRES-24" were exchanged for 585,044,307 additionally issued ordinary shares of JSC OGK-6 with the value of RR 1.00 each;
- the ordinary shares of the JSC "Kirishskaya GRES" were exchanged for 25 additionally issued ordinary shares of JSC OGK-6 with the value of RR 1.00 each;
- the ordinary shares of the JSC "Ryazanskaya GRES" were exchanged for 29 additionally issued ordinary shares of JSC OGK-6 with the value of RR 1.00 each;
- for the ordinary shares of the JSC "Novocherkasskaya GRES" were exchanged 23 additionally issued ordinary shares of JSC OGK-6 with the value of RR 1.00 each;

(in thousands of Russian Roubles)

- the ordinary shares of the JSC "Krasnoyarskaya GRES" were exchanged for 25 additionally issued ordinary shares of JSC OGK-6 with the value of RR 1.00 each;

As at 31 December 2006, the number of issued ordinary shares amounted to 26,731,061,492 with a par value of RR 1.00 each.

Merger reserve. Based on the application of predecessor accounting (see Note 3), the difference of RR 9,937,276 thousand between the value of share capital issued, the IFRS carrying values of the contributed assets and the minority interest has been recorded as a merger reserve within equity.

Dividends. The statutory financial reports of OJSC "OGK-6" are the basis for profit distribution and other appropriations. The Russian legislation identifies the basis of distribution as the net profit. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these financial statements.

In accordance with the minutes of the Board meeting of RAO UES which performed the functions of the extraordinary meeting of OAO OGK-6 shareholders #221 of May 11, 2006, dividends of RR 0.001765935 per ordinary share were accrued on the OAO OGK-6 ordinary shares in respect with the three months ended March 31, 2006. The total amount of dividends accrued was RR 406,317 thousand.

In accordance with the minutes of the extraordinary general shareholders' meeting of OAO OGK-6 #2 of 28 September 2006, dividends of RR 0.00886215 per ordinary share were accrued on the OAO OGK-6 ordinary shares in respect with the six months ended 30 June 2006. The total amount of dividends accrued was RR 228,511 thousand.

In accordance with the minutes of the extraordinary general shareholders' meeting of OAO "Cherepovetskaya GRES" #3 of 29 June 2006 dividends of RR 1.0327 per ordinary share were accrued on the OAO "Cherepovetskaya GRES" ordinary shares in respect with the three months ended March 31, 2006. The total amount of dividends accrued was RR 21,000 thousand.

In accordance with the minutes of the extraordinary general shareholders' meeting of OAO "GRES-24" #5 of 21 June 2006 dividends of RR 0.00086728 per ordinary share were accrued on the OAO "GRES-24" ordinary shares in respect with the three months ended March 31, 2006. The total amount of dividends accrued was RR 24,500 thousand.

Note 11. Income tax

	Year ended 31 December 2006	Year ended 31 December 2005
Income tax of current year	333,960	198,505
Income tax of previous years	434,119	-
Deferred income tax charge / (benefit)	1,031,315	(232,081)
Income tax charge / (benefit)	**1,799,394**	**(33,576)**

During the year ended on 31 December 2006 most members of the Group were subject to income tax rates of 24% on the taxable profit.

In accordance with Russian tax legislation, tax losses in different Group companies may not be relieved against taxable profit of the other Group companies. Accordingly, income tax may accrue even where there is a net consolidated tax loss.

For the reporting purposes net profit before tax is reconciled with the tax charge as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
Profit / (loss) before tax	5,890,837	(41,860)
Theoretical tax charge at an average statutory tax rate of 24%	1,413,801	(10,046)
Tax effect of items which are not deductible or assessable for taxation purposes	385,593	(23,530)
Total income tax charge / (benefit)	**1,799,394**	**(33,576)**

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. Deferred income tax liabilities (assets) are measured at 24%, the rate applicable when the asset or liability will reverse.

(in thousands of Russian Roubles)

Deferred tax liabilities

	31 December 2005	Movement for the year recognized in the Income Statement	31 December 2006
Property, plant and equipment	(3,011,642)	(1,588,309)	(4,599,951)
Accounts receivable and prepayments	209,705	115,762	325,467
Tax loss	-	226,649	226,649
Other	(23,395)	214,583	191,188
Total	**(2,825,332)**	**(1,031,315)**	**(3,856,647)**

	31 December 2004	Movement for the year recognized in the Income Statement	31 December 2005
Property, plant and equipment	(3,051,227)	39,585	(3,011,642)
Accounts receivable and prepayments	201,448	8,257	209,705
Other	(207,634)	184,239	(23,395)
Total	**(3,057,413)**	**232,081**	**(2,825,332)**

Note 12. Pension liabilities

The tables below provide information about the benefit obligations, plan assets and actuarial assumptions used for the years ended 31 December 2006 and 2005.

	31 December 2006	31 December 2005
Present value of funded defined benefit obligations	811,012	403,408
Less: Fair value of plan assets	-	(52,067)
Deficit in plan	811,012	351,341
Unrecognized net actuarial loss	(149,574)	(17,711)
Unrecognised past service cost	(161,175)	(39,485)
Net liability in the balance sheet	**500,263**	**294,145**

Amounts recognized in the combined and consolidated income statement:

	31 December 2006	31 December 2005
Current service cost	36,073	10,755
Interest cost	44,684	26,086
Expected return on plan assets	-	-
Net actuarial losses/(gains) recognised in year	-	-
Amortisation of past service cost	39,040	-
Settlement (gain)/loss	-	-
Immediate recognition of vested prior service cost	-	-
Other	115,912	-
Total	**235,709**	**36,841**

Other category includes the result of changing estimation of prior year pension liabilities. During the year more detailed information about the group's pension plans was obtained. As a result the group's liability increased and an additional charge of RR 115,912 thousand was recorded. The management has treated this as a change in estimate rather than an actuarial loss, which would be deferred, because this allows the financial statements to better reflect the position at December 31, 2006.

Changes in the present value of the Group's defined benefit obligation are as follows:

	31 December 2006	31 December 2005
Present value of defined benefit obligations (DBO) at beginning of year	403,408	378,638
Service cost	36,073	10,755
Interest cost	44,684	26,086
Plan participants' contributions	-	-
Actuarial (gain)/loss	131,863	17,711
Past service cost	160,730	-
Benefits paid	(81,658)	(29,782)
Settlement and curtailment (gain)/loss	-	-
Other	115,912	-
Defined benefit obligations	**811,012**	**403,408**

(in thousands of Russian Roubles)

	31 December 2006	31 December 2005
Net liability at start of year	294,145	287,086
Adjustment to remove plan assets	52,067	-
Adjusted net liability at start of year	346,212	287,086
Net expense recognised in the income statement	235,709	36,841
Employer contributions	(81,658)	(29,781)
Net liability at the end of the year	**500,263**	**294,145**

	31 December 2006	31 December 2005
Present value of defined benefit obligations (DBO)	811,012	403,408
Fair value of plan assets	-	(52,067)
(Surplus)/deficit in plan	811,012	351,341
Gains/(losses) arising of experience adjustments on plan liabilities	(55,997)	(4,165)
Gains/(losses) arising of experience adjustments on plan assets	-	-

Principal actuarial assumptions are as follows:

	31 December 2006	31 December 2005
Discount rate	6.75%	6.89%
Pension increase (excl. annuities via NSPF)	7.0%	7.10%
Inflation	5.0%	5.0%
Salary increase	5.0%	7.10%

Note 13. Other non-current liabilities

	31 December 2006	31 December 2005
Water tax	54,521	-
Profit tax	164,165	-
VAT	97,048	-
Notes issued	-	76,523
Other	8,327	5,835
Total	**324,061**	**82,358**

Tax authorities carried out inspections in 2006, as a result of which accruals were made for the taxes listed above. The amounts mentioned are currently disputed in court. Results are expected in the following financial reporting periods.

Note 14. Current debt and current portion of non-current debt

This line represents short-term bank loans obtained for operating purposes, with interest rates ranging from 9 % to 14%. The interest rates are the market interest rates applicable to the loans at the dates of their origination. Inventories were pledged as collateral for these debts (see Note 9).

Bank	Currency	Effective interest rate	31 December 2006	31 December 2005
OJSC "Vneshtorgbank"	RR	10,00%	490,517	1,574,664
OJSC "AL'FA-BANK"	RR	10,5%-12,6%	1,232,156	600,319
OJSC "Transkreditbank"	RR	9,5%-11,5%	421,993	573,682
CJSC "Mezhdunarodnyi Moskovskii Bank"	RR	7,5%-11,75%	3,111,964	-
JSB "Rosbank"	RR	7,5%-13%	342,400	501,338
JSB "Sberbank RF"	RR	13,50%	-	719,442
JSB "Evrofinans Mosnarbank"	RR	9,25%	400,000	-
JSB "MDM"	RR	8,5%-10,5%	516,311	230,782
Other	RR	9,25%-12,5%	-	932,807
Total			**6,515,341**	**5,133,034**

(in thousands of Russian Roubles)

Note 15. Accounts payable and accrued charges

	31 December 2006	31 December 2005
Trade payables	1,873,737	1,601,505
Payables to employees	92,342	136,835
Dividends payable	194,644	327,858
Other payables	251,410	76,880
Total	**2,412,133**	**2,143,078**

Note 16. Taxes payable

	31 December 2006	31 December 2005
Value-Added Tax	75,646	361,776
Property tax	86,574	54,365
Payroll tax	27,654	33,116
Current portion of restructured taxes	314,069	7,430
Other taxes	277,305	114,268
Total	**781,248**	**570,955**

Note 17. Revenues

	Year ended 31 December 2006	Year ended 31 December 2005
Electricity	25,393,814	18,472,772
Resale of purchased electricity	1,026,920	1,196,045
Heating	1,834,300	1,677,413
Other	389,370	421,002
Total	**28,644,404**	**21,767,232**

Note 18. Operating expenses

	Year ended 31 December 2006	Year ended 31 December 2005
Fuel expenses	16,596,339	11,496,408
Repairs and maintenance	2,743,672	1,758,643
Depreciation charge	2,443,687	2,747,352
Employee benefit expenses and payroll taxes	2,304,191	1,828,578
Water usage expenses	1,074,134	863,343
Purchased power	752,498	1,218,256
Taxes	646,443	317,209
NOREM development costs	447,544	-
Other materials	381,821	315,926
Rent and lease payments	261,845	159,217
Electricity transition	237,853	-
Insurance cost	161,799	193,509
Consulting, legal and information services	59,948	96,720
Charity expenditure	75,655	59,461
Reversal of previously written-off trade payables	161,189	-
Transport costs	141,328	67,719
Security and fire safety cost	135,344	87,619
Write-down of inventories	69,557	44,821
(Reversal of) / provision for impairment of accounts receivable	(104,315)	37,174
Other	453,622	831,396
Total	**29,044,154**	**22,123,351**

(in thousands of Russian Roubles)

Taxes comprise the following:

	Year ended 31 December 2006	Year ended 31 December 2005
Property tax	389,435	197,888
Non-refundable VAT	137,813	8,946
Tax liabilities on WEM imbalance, including:	23,291	-
- Fines and Penalties	15,960	-
- VAT	7,331	-
Other taxes	95,904	110,375
Total	**646,443**	**317,209**

Employee benefits expenses comprise the following:

	Year ended 31 December 2006	Year ended 31 December 2005
Salaries and wages, payroll taxes	1,986,818	1,754,454
Financial aid to employees and pensioners	253,175	66,742
Non-governmental pension fund expenses	64,198	7,382
Total	**2,304,191**	**1,828,578**

Note 19. Other operating income

	Year ended 31 December 2006	Year ended 31 December 2005
Income from fines and penalties written-off	18,091	620,410
Other	122,577	241,217
Total	**140,668**	**861,627**

Note 20. Finance costs

	Year ended 31 December 2006	Year ended 31 December 2005
Interest expense	686,321	505,218
Discounting effect	248,096	62,506
Other	48,373	(20,356)
Total	**982,790**	**547,368**

Subsequent to the initial recognition, the discount is amortized over the period of restructuring as an expense.

Note 21. Earnings per share

	Year ended 31 December 2006	Year ended 31 December 2005
Weighted average number of ordinary shares issued (thousand)	25,528,040	23,008,617
Net profit / (loss) attributable to the shareholders of OJSC "OGK-6"	3,341,939	(41,806)
Earning / (loss) per ordinary share for profit attributable to the shareholders of OJSC "OGK-6" - basic and diluted (in RR)	**0.1309**	**(0.0018)**

Note 22. Commitments

Sales Commitments. The Group's entities sell electricity (power) on the two wholesale market sectors: free trading sector and regulated trading sector.

The tariffs (prices) for the electricity (power) sold/purchased in the regulated trading sector (including the sector of deviations) are set by the Federal Service on Tariffs.

The Group has entered into a number of electricity sales agreements with AO-Energos, retail companies and large industrial customers.

Supply commitments. In 2006 the Group entities purchased fuel under fuel supply contracts that expired on December 31, 2005 and were prolonged for 2006. Gas supplies were mostly received from OOO "Ryazanregiongaz", OAO "Ryazanoblgaz", OAO "Lenoblgaz", and ZAO "Peterburgregiongaz".

Coal supplies were mostly received from ZAO "MezhRegionProm", ZAO "Trading House Ellit", OAO "SUEK", OOO "Rostovuglesbyt", and OAO "Mosbassugol". The quantity of supplies was determined annually on the basis of fuel stocks requirements set by RAO UES.

Prices under the Group's natural gas and coal contracts were generally determined by reference to base amounts that were adjusted to reflect provisions for changes in regulatory prices, published inflation indices and current market prices.

Capital commitments. Future capital expenditures for which contracts have been signed, amount to RR 480,541 thousand and RR 560,453 thousand on 31 December 2006 and 31 December 2005, respectively.

Note 23. Contingencies

Political environment. From time to time and in varying degrees the operations and earnings of the Group entities continue to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia.

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Hence, the Group is exposed to those risks for which it does not have insurance.

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

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group entities may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

As of 31 December 2006 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these Financial Statements.

Environmental matters. Group entities and their predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of the government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under the environmental regulations.

Potential liabilities might arise as a result of changes in the legislation and regulations 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.

Note 24. Financial instruments and financial risk factors

Financial risk factors. The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, changes in interest rates, and the collectibility of receivables. The Group does not have a risk policy to hedge its financial exposures.

Credit risk. Financial assets, which subject the Group to potential credit risk, consist principally of trade receivables. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment of receivables already recorded.

Cash is placed in financial institutions, which are considered at the time of the deposit to have minimal risk of default.

Interest rate risk. The Group's operating profits and cash flows from operating activity are substantially independent of the changes in market interest rates. The Group is exposed to interest rate risk through market value fluctuations of interest bearing long-term borrowings. Most of the Group's long-term borrowings are at fixed interest rates. The Group has no material interest-bearing assets.

Fair values. Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts.

Note 25. Related party transactions

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at December 31, 2006 are detailed below.

Parent

The Company is controlled by RAO UES which owns 93.48% of the Company's shares.

(in thousands of Russian Roubles)

The remaining 6.52% of ordinary shares are placed among a large number of shareholders. RAO UES is the ultimate parent company of the Group of interrelated organizations of which the Company is a member.

Balances on operations with RAO UES were as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
Accounts payable (dividends)	185,553	321,683

Transactions with management and close family members

Compensation is paid to members of the Management Board of OJSC "OGK-6" (hereinafter – the "Management Board") for their services in full time management positions and is made up of a contractual salary, non-cash benefits, and a performance bonus depending on the results for the period according to Russian statutory financial statements. The compensation is approved by the Board of Directors of OJSC "OGK-6". Optional bonuses, which are approved by the Chairman of the Management Board according to his perception of the value of their contribution, are also payable to members of the Management Board.

Key management received the following remuneration during 2006 and 2005:

	Year ended 31 December 2006	Year ended 31 December 2005
Salaries and bonuses	93,771	29,288
Payroll taxes	2,815	3,014
Total	**96,586**	**32,302**

Transactions with the Parent's subsidiaries

Transactions with the Parent's subsidiaries were as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
Sales of electricity and heat	19,690,101	17,156,210
Purchased power	653,786	455,483

Balances with the Parent's subsidiaries at the end of the period were as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
Accounts receivable and prepayments	427,802	713,788
Provision	(185,879)	-
Accounts payable and accruals	75,803	15,825

Operations with other state-controlled entities

In the normal course of business the Group enters into transactions with other entities under the Government control. Prices for natural gas, electricity and heat are based on tariffs set by FST and RST. Bank loans are granted at market rates. Taxes are accrued and settled in accordance with the Russian tax legislation.

The Group had the following transactions and balances with state-controlled entities:

	Year ended 31 December 2006	Year ended 31 December 2005
Fuel purchase	8,276,106	7,170,620
Payements of NOREM development costs	447,544	-
Interest paid	72,444	267,848

	Year ended 31 December 2006	Year ended 31 December 2005
Accounts receivable and prepayments	1,049,893	291,062
Provision	(104,315)	-
Accounts payable and accruals	1,659,925	729,602
Current and non-current debt	-	2,373,017

Note 26. Post balance sheet events

On 26 April 2007, the Group completed placement of bonds at MICEX. The securities were issued under the state registration number 4-01-65106-D. The term of bonds circulation is 5 years with 3 year buy-back offer. The nominal value of each security placed is RR 1 thousand, the bond issue is fully placed – the number of actually placed bonds is 5 mln bonds. The bonds are placed through public offering. The bond issue is arranged by ROSBANK, coarranger is the International Moscow Bank.

On April 17, 2007, the Board of Directors of the Group approved the Company's development strategy for 2007 through 2011. The strategic goal is to increase the Group's capitalization primarily by means of increasing coal-based generation and to win the leading positions in the Russian coal generation. In accordance with the strategy, the share of coal in the fuel structure is to increase to 60% and the installed capacity is to increase by 1,270 MW by 2011 by means of putting additional capacities in operation.

On April 10, 2007, the shareholders of the Group approved a decrease in the charter capital of the Group from RR 26,731,061 thousand to RR 12,830,909 thousand by the way of decreasing the nominal value of the shares outstanding. On June 7, 2007, in accordance with the Report, the number of outstanding shares is 26,731,061,492 shares at par value of RR 0.48 each.

On June 29, 2007 the General Meeting of shareholders approved dividend payment for ordinary shares based on the 2006 performance in the amount of RR 0.00845417 per share and based on the 1Q 2007 performance in the amount of RR 0.00860422 per share.

In addition the General Meeting of shareholders approved an increase in the charter capital of the Group via placement of additional non-documentary registered ordinary shares in the amount of 11,850,000,000 shares at par value to be determined in accordance with paragraph 4.2 of the Charter of the Group.

In 2006 the Group fulfilled all restructuring conditions having paid RR 193,050 thousand. In accordance with the resolutions of the Government № 259 as of June 1, 2004 and No. 269 as of April 24, 2002, in April 2007 a portion of fines and penalties payable in the amount of RR 312,095 thousand for 2006 was forgiven and written off the balance sheet.