OGK-2 GROUP
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE YEAR ENDED 31 DECEMBER 2014

Independent Auditor's Report

To the Shareholders and Board of Directors of Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-2"):

We have audited the accompanying consolidated financial statements of OJSC "OGK-2" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss, 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.

Auditor's Responsibility

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

An audit involves performing 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 express an opinion on the fair presentation of these consolidated financial statements.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

12 March 2015

Moscow, Russian Federation

T.S. Medvedeva, Director (licence no. 01-000496), ZAO PricewaterhouseCoopers Audit

Audited entity: Open Joint Stock Company "The Second Generating Company of the Wholesale Power Market" (OJSC "OGK-2").

Registered in the Unified State Register of Legal Entities on 9 March 2005 by the Federal Tax Inspectorate for the Izobilnensky District of the Stavropol Territory, Registration No 1052600002180. Certificate series 26 No 001634873.

Legal address: Izobilnensky District, the Stavropol Territory, Russian Federation, 356128.

Company location: Building 3, 101 Vernadskogo Prospekt, Moscow, Russian Federation, 119526.

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

OGK-2 Group
Consolidated Statement of Financial Position as at 31 December 2014
(in thousands of Russian Roubles)

	Notes	31 December 2014	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	142,756,234	128,490,301
Intangible assets	7	1,379,191	1,544,061
Other non-current assets	8	2,569,205	2,917,982
Total non-current assets		**146,704,630**	**132,952,344**
Current assets			
Cash and cash equivalents	9	13,055,599	5,756,231
Trade and other receivables	10	14,220,814	18,734,815
Inventories	11	7,337,075	6,344,290
Income tax prepayments		46,990	398,488
Other current assets	12	-	3,100,000
Total current assets		**34,660,478**	**34,333,824**
TOTAL ASSETS		**181,365,108**	**167,286,168**
EQUITY AND LIABILITIES			
Equity			
Share capital	13		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(4,339,331)	(4,058,856)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		47,509,382	48,616,825
Total equity		**111,605,753**	**112,993,671**
Non-current liabilities			
Deferred income tax liabilities	14	6,542,940	6,702,917
Non-current debt	15	40,598,810	34,641,540
Retirement benefit obligations	16	1,530,239	2,020,359
Restoration provision	17	1,445,484	419,636
Other long-term liabilities	18	502,069	996,514
Total non-current liabilities		**50,619,542**	**44,780,966**
Current liabilities			
Current debt and current portion of non-current debt	19	6,562,255	79,751
Trade and other payables	20	11,523,026	8,664,936
Other taxes payable	21	793,160	727,698
Income tax payable		-	592
Restoration provision	17	261,372	38,554
Total current liabilities		**19,139,813**	**9,511,531**
Total liabilities		**69,759,355**	**54,292,497**
TOTAL EQUITY AND LIABILITIES		**181,365,108**	**167,286,168**

General Director D.N. Bashuk

Chief Accountant L.V. Klisch

12 March 2015

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 48

Consolidated Statement of Profit or Loss for the year ended 31 December 2014

(in thousands of Russian Roubles unless noted otherwise)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Revenues	22	116,038,297	111,975,593
Operating expenses	23	(116,857,348)	(105,302,840)
Other operating items		127,253	201,037
Operating (loss) / profit		**(691,798)**	**6,873,790**
Finance income	24	1,387,866	463,177
Finance costs	25	(1,071,239)	(1,904,508)
Loss on disposal of available-for-sale investments	8, 13	(112,295)	-
(Loss) / profit before income tax		**(487,466)**	**5,432,459**
Income tax charge	14	(945,138)	(1,191,033)
(Loss) / profit for the year		**(1,432,604)**	**4,241,426**
Attributable to:			
Shareholders of OJSC OGK-2		(1,432,604)	4,241,426
(Loss) / earnings per ordinary share attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)	26	**(0.01)**	**0.04**

(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
(Loss) / profit for the year		**(1,432,604)**	**4,241,426**
Items that may be reclassified to profit or loss:			
Available-for-sale investments, net of tax		2,066	(12,013)
Accumulated loss on available-for-sale investments reclassified to Statement of Profit or Loss on their disposal, net of tax	8	95,850	-
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefit obligation, net of tax		393,082	558,332
Total comprehensive (expense) / income for the year		**(941,606)**	**4,787,745**
Attributable to:			
Shareholders of OJSC OGK-2		(941,606)	4,787,745

OGK-2 Group
Consolidated Statement of Cash Flows for the year ended 31 December 2014
(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) / profit before income tax		**(487,466)**	**5,432,459**
Adjustments to reconcile (loss) / profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	23	4,730,223	4,441,946
Amortisation of intangible assets	23	239,947	143,560
Impairment of assets	23	8,646,854	-
Reversal of property, plant and equipment impairment	6	(105)	-
Charge of provision for impairment of trade and other receivables	23	1,014,715	2,439,818
Charge of provision for inventory obsolescence	23	113,707	1,609
Finance income	24	(1,387,866)	(463,177)
Finance costs	25	1,071,239	1,904,508
Loss on disposal of available-for-sale investments	8	112,295	-
Non-state pensions and other long-term benefits	23	4,131	(143,093)
Loss on disposal of assets, net	23	22,561	20,871
Other non-cash items		49,438	28,601
Operating cash flows before working capital changes and income tax paid		**14,129,673**	**13,807,102**
Working capital changes:			
Increase in trade and other receivables		(96,994)	(2,327,969)
(Increase) / decrease in inventories		(1,232,137)	30,584
Increase in trade and other payables		853,120	655,586
Increase in taxes payable, other than income tax		70,690	132,356
Payments in respect of retirement benefit obligations		(135,303)	(82,983)
Decrease in other non-current liabilities		-	(55,723)
Income tax paid		(847,377)	(1,644,329)
Net cash generated from operating activities		**12,741,672**	**10,514,624**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(18,896,287)	(16,986,463)
Proceeds from sale of property, plant and equipment		41,574	22,113
Purchase of intangible assets		(86,613)	(165,217)
Proceeds from / (increase in) bank deposits		3,100,000	(972,620)
Interest received		1,100,416	352,122
Proceeds from disposal of available-for-sale investments	8	66,032	-
Net cash used in investing activities		**(14,674,878)**	**(17,750,065)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Prepayment for issued shares		-	403
Proceeds from long-term borrowings		22,600,000	24,470,664
Repayment of short-term borrowings		-	(3,200,360)
Repayment of long-term borrowings		(10,100,000)	(10,000,000)
Interest paid		(3,156,045)	(1,875,767)
Payments under finance lease		(109,913)	(163,024)
Finance lease advance		(1,468)	(588)
Net cash generated from financing activities		**9,232,574**	**9,231,328**
Net increase in cash and cash equivalents		**7,299,368**	**1,995,887**
Cash and cash equivalents at the beginning of the year	9	**5,756,231**	**3,760,344**
Cash and cash equivalents at the end of the year	9	**13,055,599**	**5,756,231**

OGK-2 Group
Consolidated Statement of Changes in Equity for the year ended 31 December 2014
(in thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Total
At 31 December 2012	**21,518,239**	**(4,058,856)**	**23,916,508**	**66,829,632**	**108,205,523**
Profit for the year	-	-	-	4,241,426	4,241,426
Available-for-sale investments, net of tax	-	-	-	(12,013)	(12,013)
Remeasurements of retirement benefit obligations, net of tax	-	-	-	558,332	558,332
Total comprehensive income for the year	-	-	-	*4,787,745*	*4,787,745*
Issued shares (Note 13)	18,538,770	-	4,462,185	(23,000,552)	403
Total transactions with owners	*18,538,770*	-	*4,462,185*	*(23,000,552)*	*403*
At 31 December 2013	**40,057,009**	**(4,058,856)**	**28,378,693**	**48,616,825**	**112,993,671**
At 31 December 2013	**40,057,009**	**(4,058,856)**	**28,378,693**	**48,616,825**	**112,993,671**
Loss for the year	-	-	-	(1,432,604)	(1,432,604)
Available-for-sale investments, net of tax	-	-	-	2,066	2,066
Accumulated loss on available-for-sale investments recycled to Income Statement on their disposal, net of tax	-	-	-	95,850	95,850
Remeasurements of retirement benefit obligations, net of tax	-	-	-	393,082	393,082
Total comprehensive expense for the year	-	-	-	*(941,606)*	*(941,606)*
Acquisition of treasury shares (Note 13)	-	(471,493)	-	-	(471,493)
Payment of remuneration (Note 13)	-	189,951	-	(168,040)	21,911
Sale of treasury shares (Note 13)	-	1,067	-	(765)	302
Other transactions (Note 13)	-	-	-	2,968	2,968
Total transactions with owners	-	*(280,475)*	-	*(165,837)*	*(446 312)*
At 31 December 2014	**40,057,009**	**(4,339,331)**	**28,378,693**	**47,509,382**	**111,605,753**

(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "OGK-2", or the "Company") was established on 9 March 2005 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

The primary activities of the Company are generation and sale of electric and heat power. The Company consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Kirishskaya GRES, Ryazanskaya GRES, Novochercasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES. The Company rents Adlerskaya TES station and additional power unit №4 PGU-420 on Cherepovetskaya GRES under operating lease agreement.

The Company is registered by the Izobilnensk District Inspectorate of the RF Ministry of Taxation of Stavropol Region.

The Company's office is located at 101-3, Vernadskogo Avenue, 119526, Moscow, Russian Federation.

OJSC "OGK-2" and its following subsidiaries form the OGK-2 Group (the "Group"):

	% owned	
	31 December 2014	31 December 2013
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 28). During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the CBRF exchange rate fluctuated between RR 32.7292 and RR 56.2584 per USD;
- the CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index ranged between 1 445 and 791;
- access to international financial markets to raise funding was limited for certain entities;
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between RR 56.2376 per USD and RR 69.6640 per USD;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. Moody's Investors Service and Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index ranged between 737 and 929;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates;
- the CBRF key refinancing interest rate decreased from 17.0% p.a. to 15.0% p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Relations with the state and current regulation. OJSC "OGK-2" is part of the Gazprom Group, which includes OJSC "Gazprom" and its subsidiaries. OJSC "Centerenergyholding" owns 73.42% of the shares of OJSC "OGK-2" as at 31 December 2014 (as at 31 December 2013: 73.42%).

Gazprom Group, in its turn, is controlled by the Russian Federation, therefore, the Russian Government is the ultimate controlling party of the Group as at 31 December 2014 and 31 December 2013.

The Group's customer base includes a large number of entities controlled by or related to the State. The list of the Group's major fuel suppliers includes subsidiaries of OJSC "Gazprom".

The government of the Russian Federation directly affects the Group's operations through regulations of wholesale sales of electricity (capacity) and retail sales of heat exercised by the Federal Tariff Service ("FTS") and the tariffs regulation executive authorities. JSC "System Operator of the United Power System" ("SO UPS"), which is controlled by the Russian Federation represented by the Federal executive body for state property management, regulates operations of generating assets of the Group.

As described in Note 28, the government's economic, social and other policies could have material effects on the operations of the Group.

Note 2. Basis of preparation

Statement of compliance. These 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 Company and each subsidiary of the Company individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Rules ("RAR"). The accompanying financial statements are based on the statutory records adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

Basis of measurement. The financial statements are prepared on the historical cost basis except financial instruments measured at fair value at initial recognition and revaluation of financial investments classified as available-for-sale.

Functional and presentation currency. The national currency of the Russian Federation is the Russian Rouble ("RR"), which is the functional currency of the Company and its subsidiaries and the currency in which these financial statements are presented. All financial information presented in RR has been rounded to the nearest thousand, unless otherwise stated.

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 consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment provision for trade and other receivables

The impairment provision for trade and other receivables is based on the Group's assessment of whether the collectability of specific customer accounts worsened compared to prior estimates. If there is deterioration/impairment in a major customer's creditworthiness or actual defaults are higher/lower than the estimates, the actual results could differ from these estimates. See effect of these critical accounting estimates and assumptions in Note 10.

Impairment of property, plant and equipment

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the consolidated statement of profit or loss in the period in which the reduction is identified. If conditions change and management determines that the value of property, plant and equipment and assets under construction has increased, the impairment provision will be fully or partially reversed. See effect of these critical accounting estimates and assumptions in Note 6. As described in Notes 1 and 28, the Government's economic, social and other policies could have material effects on the operations of the Group.

Useful lives of property, plant and equipment

The estimation of the useful lives of an items 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. See effect of these critical accounting estimates and assumptions in Note 6, useful lives are presented in Note 4.

Tax contingencies

Russian tax legislation is subject to varying interpretations and changes, which can occur frequently (Note 28). 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 consolidated financial statements.

Restoration provision

The Group reviews its decommissioning liability, representing site restoration provisions, at each reporting date and adjusts it to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgment is required in forecasting future site restoration costs. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur. See effect of these critical accounting estimates and assumptions in Note 17.

Classification of lease agreement as finance and operating lease

Management applies judgement to determine whether all the significant risks and rewards associated with leased assets are transferred to the Group. Management consider all circumstances that individually or in the aggregate would normally lead to a lease being classified as a finance lease: transfer of ownership at the end of the lease term; bargain purchase option; lease term is for the major part of the leased asset useful life even if ownership is not transferred; present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased assets; leased assets are of specialised nature and can be used only by the Group. Changes in any of these conditions may result in reclassifying the lease in the future. The lease of Adlerskaya TES station and additional power unit №4 PGU-420 on Cherepovetskaya GRES are classified as operating lease by the Group based on the analysis of terms of lease agreements and all of the facts and circumstances.

Note 3. New accounting developments

The following amendments to standards and interpretations became effective from 1 January 2014 but did not have any material impact on the Group's consolidated financial statements:

- *Offsetting Financial Assets and Financial Liabilities* - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);
- *Investment entities* - Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014);
- IFRIC 21, *Levies* (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014);
- *Recoverable amount disclosures for non-financial assets* - Amendments to IAS 36 (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period);
- *Novation of Derivatives and Continuation of Hedge Accounting* - Amendments to IAS 39 (issued in June 2013 and effective for annual periods beginning 1 January 2014).

All IFRS pronouncements issued by the International Accounting Standards Board (IASB) and effective for 2014 have been endorsed for application in Russia.

Certain new standards, amendments to standards and interpretations, approved for application in the Russian Federation, have been issued that are mandatory for the annual reporting periods of the Group beginning on or after 1 January 2015 or later, and which the Group has not early adopted:

- *Defined benefit plans: Employee contributions* - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendments allow entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service;

- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to 7 standards: IFRS 2, IFRS 3, IFRS 8, the basis for conclusions on IFRS 13, IAS 16 and IAS 38, IAS 24.

- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to 4 standards: IFRS 1, IFRS 3, IFRS 13 and IAS 40.

- IFRS 14, *Regulatory deferral accounts* (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016);

- *Accounting for Acquisitions of Interests in Joint Operations* - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016);

- *Clarification of Acceptable Methods of Depreciation and Amortisation* - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016);

- IFRS 15, *Revenue from Contracts with Customers* (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

New standards, amendments to standards and interpretations that have been issued by IASB but have not been adopted for application in the Russian Federation are presented below:

- IFRS 9, *Financial Instruments*: Classification and Measurement (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018);

- *Agriculture: Bearer plants* - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016);

- *Equity Method in Separate Financial Statements* - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016);

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016);

- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards: IFRS 5, IFRS 7, IAS 19 and IAS 34;

- *Disclosure Initiative* - Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

- *Investment Entities: Applying the Consolidation Exception* - Amendments to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

The Group is currently assessing the impact of the new standards, amendments to standards and interpretations on its consolidated financial statements.

Note 4. Summary of significant accounting policies

Principles of consolidation. The consolidated financial statements comprise the financial statements of the Company and those entities whose operations are controlled by the Company.

A) Subsidiaries

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, excluding acquired from parties under common control, measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

B) Transactions eliminated on consolidation

Intercompany balances and transactions and any unrealized gains arising from intercompany transactions, are eliminated in preparing these consolidated financial statements; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Transfers of businesses from parties under common control. The Group was formed by the combination of a number of businesses under common control. Contributions to share capital of shares in subsidiaries (businesses) from parties under common control are accounted for using predecessors basis of accounting. Business combinations arising from transfers of control interests in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities of the subsidiaries transferred under common control are accounted for at the predecessor entity's carrying amounts. Because of the consequent use of the predecessor basis of accounting, 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. Any difference between the carrying amount of net assets and the nominal value of share capital contributed and share premium is accounted for in these consolidated financial statements as retained earnings.

Foreign currency. Monetary assets and liabilities, held by the Group and denominated in foreign currencies at the reporting date, are translated into RR at the exchange rates prevailing at that date. 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 the monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

The official Russian Rouble to US dollar exchange rates as determined by the Central Bank of the Russian Federation were 56.2584 and 32.7292 as at 31 December 2014 and 31 December 2013, respectively. The official RR to EURO exchange rates as determined by the Central Bank of the Russian Federation were 68.3427 and 44.9699 as at 31 December 2014 and 31 December 2013, respectively.

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

(in thousands of Russian Roubles)

Property, plant and equipment. Following the predecessor basis of accounting in business combinations property, plant and equipment were recognized at the carrying value determined in accordance with IFRS by the predecessors. Property, plant and equipment include assets under construction for future use as property, plant and equipment.

Property, plant and equipment are stated at depreciated cost less impairment. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the consolidated statement of profit or loss. An impairment loss recognised in prior years is reversed if there has been an increase in the estimated fair value or value in use used to determine an asset's recoverable amount.

Renewals and improvements are capitalised and the assets replaced are retired. The cost of repair and maintenance is expensed as incurred. Gains and losses arising from the retirement of property, plant and equipment are included in the consolidated statement of profit or loss as incurred.

Social assets are not capitalised as they are not expected to result in future economic benefits to the Group. Costs associated with a fulfilment of the Group's social responsibilities are expensed as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated remaining useful lives. Assets under construction are not depreciated.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

The remaining useful lives, in years, are as follows:

Classes of property, plant and equipment	**31 December 2014**	**31 December 2013**
Production buildings	22-39	23-39
Constructions	4-30	5-31
Energy machinery and equipment	6-27	7-28
Other machinery and equipment	1-17	1-18
Other	1-9	1-10

Purchases of property, plant and equipment are shown net of VAT within investing activities in consolidated statement of cash flows.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

The Group classified assets and liabilities on the basis of an appropriate level of hierarchy of fair value as it is stated above (Note 29).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. The Group classifies its financial assets into the following categories: loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition depending on the purpose of purchase and nature of the instrument.

(a) Loans and receivables. Loans and receivables are non-derivarive financial assets with fixed or determinable payment terms, which are not quoted on an active market. These assets are included into the current assets except when the maturity is greater than 12 months after the reporting date. These assets are classified as non-current assets.

(b) Available-for-sale investments. Available-for-sale financial assets include investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Initial recognition of financial instruments. All financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions involving a similar instrument or by a valuation technique whose inputs include data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive a dividend is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. Impairment losses on equity instruments are not reversed through profit or loss and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Cash and cash equivalents. Cash comprises cash in hand and cash deposited on demand 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.

Trade and other receivables. Trade and other receivables are recorded inclusive of value added taxes. Financial trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. In practice, the entity has estimated that the nominal amount of trade and other receivables approximates the fair value at inception. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate for similar borrowers. The carrying amount of the asset is reduced through the use of an impairment provision account, and the amount of the loss is recognised in the consolidated statement of profit or loss within operating expenses. When a receivable is uncollectible, it is written off against the impairment provision account for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statement of profit or loss.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Derecognition of non-derivative financial liabilities. 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.

Trade and other payables and accrued charges. Trade and other payables are stated inclusive of value added tax. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. If trade and other payables 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. In this case the amount of the discount is credited to the consolidated statement of profit or loss (finance costs) as a gain on restructuring, and the non-current portion of the discounted payable is classified as other non-current liabilities. The discount is amortized as interest expense.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Debt. Debt is recognized 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 amortized cost using the effective yield method; any difference between the fair value at initial recognition (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the debt obligation.

Capitalization of borrowing costs. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset. Other borrowing costs are recognised as an expense using the effective interest method.

The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

The commencement date for capitalisation is when (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Interest payments capitalised as part of the cost of an assets are classified as cash outflows from financing activities.

Environmental liabilities. Liabilities for environmental remediation are recorded where there is a present legal or constructive obligation as a result of past events, the payment is probable and reliable estimates can be made.

Value added tax on purchases and sales (VAT). Output VAT related to sales is payable to tax authorities on the earlier of (a) receipt of advance from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable by each taxpayer of the Group against output VAT upon receipt of goods or services and the respective VAT invoice. Input VAT from advances paid to suppliers after 1 January 2009 is recoverable upon advance payment provided the receipt of respective VAT invoice.

The tax authorities permit the settlement of VAT on net basis. VAT related to sales and purchases is recognized in the statement of financial position at nominal value on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

In the consolidated statement of cash flows purchase of property, plant and equipment and proceeds from sale of property, plant and equipment are presented without VAT.

Inventories. Inventories are valued at the lower of net realizable value and weighed average acquisition cost. Write-down is made for potential losses on obsolete or slow-moving inventories, taking into account their expected use and future realizable value.

Intangible assets. The Group's intangible assets have definite useful lives and primarily include capitalised computer software and licences. Acquired computer software and licences, are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. Maintenance costs associated with computer software are expensed when incurred. Capitalised computer software is amortised on a straight line basis over estimated remaining useful lives.

Intangible assets are reviewed for impairment whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The remaining useful lives, in years, are as follows:

Classes of intangible assets	31 December 2014	31 December 2013
SAP software	7-12	8-13
Other intangibles	2-12	3-13

Income tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current period. Taxable profit differs from net profit as reported in the statement of profit or loss 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. Taxes other than on income are recorded within operating expenses.

Deferred tax is provided using the balance sheet liability method for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for the 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 or loss. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting 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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

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.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Prepayments / Advances paid. Prepayments/advances paid are carried at cost less provision for impairment. A prepayment/advance paid is classified as non-current when the goods or services relating to the prepayment/advance paid are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments/ advances paid to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Advances paid to capital contractors and to acquire intangible assets are included into carrying amount of construction in progress balance of property, plant and equipment and intangible assets balance, respectively, excluding related input VAT. Input VAT from the advances paid to capital contractors and to acquire intangible assets is included into carrying amount of other non-current assets if expected date of input VAT recovery after one year. If input VAT recovery is expected within one year, it is recognized as trade and other receivables. The input VAT is stated at its nominal value. Other prepayments/advances paid offset when the goods or services relating to the prepayments/advances are received. If there is an indication that the assets, goods or services relating to a prepayment/advances paid will not be received, the carrying value of the prepayment advance paid is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Restoration provision. Estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of the item when an item is acquired. Changes in the measurement of an existing asset retirement obligation result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate. These changes adjust the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

The Group has an obligation to restore the surface of ash dumps when they are full.

Finance leases. Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of future finance charges, are included in debts. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest cost is charged to the statement of profit or loss over the lease period using the effective interest method.

Operating leases. Management applies judgment in determining whether to account for lease agreements as finance or operating leases. In the application of this judgment, management makes assessment of various factors including which party carries the risks and rewards of ownership, the extent of the lease term and whether early termination clauses can be exercised by the counterparties to the lease.

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 recognised as rental income.

Pension, post-employment and other long-term benefits. In the normal course of business the Group contributes to the Russian Federation defined contribution state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in employee benefit expenses in the consolidated statement of profit or loss.

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 recognised in the consolidated statement of financial position in respect of defined benefit pension plans operated by the Group is the present value of the defined benefit obligation at the reporting date. 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 associated with the operation of the plans, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions. Remeasurements are recognised immediately in other comprehensive income. Remeasurements for other long-term benefits are recognised immediately in profit and loss.

A past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised immediately as soon as the pension plan conditions are changed. A curtailment of pension plan occurs when there is a significant reduction in the number of employees covered by the plan. A curtailment gain or loss gives rise to past service cost and as such it is recognised when it occurs.

Share-based payments. The General Meeting of Company's Shareholders may decide to pay additional remuneration to members of the Board of Directors for their performance in the form of treasury shares held by the Company. Additional remuneration by treasury shares is paid based on the market value of the shares being their weighted average price which is calculated by the securities market operator (stock exchange) based on the organized trade results on the date of payment.

Revenue recognition. Revenue is recognized on the delivery of electricity, capacity, heat and provision of other services during the period. Revenues from sales of non-utility goods are recognised at the point of transfer of risks and rewards of ownership of the goods.

Revenues are measured at the fair value of consideration received or receivable. Revenue amounts are represented exclusive of value added tax.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker.

The primary activity of the Group is production of electric and heat power and capacity. Operating segments are operations that generate revenue and incur expenses that are covered by separate financial information regularly submitted to the operating decision-making body which is represented by the Company's Management Board. The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segment's operating efficiency. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The Group discloses seven reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Kirishskaya GRES, Ryazanskaya GRES, Novochercasskaya GRES. Other Company's branches are included in other operating segments based on quantitive criteria.

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

Note 5. Related Parties

Information on transactions and balances with related parties is presented below. All transactions were made in Russian Federation and in Russian Roubles. Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and heat are based on tariffs set by FST, prices for electricity and capacity are based on tariffs set by FST and also based on competitive take-off on the wholesale electricity (capacity) market. Loans are granted at market rates. Bank deposits are invested at market rates.

(in thousands of Russian Roubles)

Transactions with Gazprom Group and its associates

Transactions with Gazprom Group and its associates were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity and capacity	6,121,256	6,417,528
Sales of heat	3,453	385
Other sales	290,047	365,081
Other income	1,717	43,658
Interest income	543,037	54,374
Purchases of gas	35,736,099	44,077,623
Other purchases	7,529,098	2,418,390
Other expenses	3,014	5,345
Interest expense under finance lease agreements	20,437	33,779
Accrued interest on the loans	2,691,476	269,765

Balances with Gazprom Group and its associates were as follows:

	31 December 2014	31 December 2013
Long-term loan issued (Note 8)	1,048,344	1,048,344
Bank accounts (Note 9)	12,794,910	43,594
Trade and other receivables	992,288	771,883
Promissory notes JSC "Gazprombank" (nominal value of promissory notes is RR 633,936 thousand as at 31 December 2014 and RR 777,794 thousand as at 31 December 2013)	615,800	750,611
Non-current debt	37,719,817	21,670,876
Current portion of non-current debt	6,551,037	62,786
Trade and other payables	1,902,664	1,229,272

Transactions with state-controlled entities and its associates other than Gazprom Group

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), including sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions (except for sales and purchases of electricity and capacity and loan received) are not significant either individually or collectively.

Information concerning sales and purchases of electricity and capacity with the state-controlled entities is presented below:

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of electricity and capacity	29,114,697	28,643,999
Charge of provision for impairment of trade receivables	807,947	1,273,767
Reversal of provision for impairment of trade receivables	(348,963)	(177,284)
Interest income on deposits	257,107	-
Building and construction works	15,777,084	6,895,594
Purchases of electricity and capacity	10,931,629	9,101,893
Interest expense on loans	241,136	76,179

(in thousands of Russian Roubles)

Significant balances with the state-controlled entities were as follows:

	31 December 2014	31 December 2013
Trade and other receivables, gross	11,226,347	18,411,101
Provision for impairment of trade and other receivables	(3,578,069)	(3,176,550)
Trade and other payables	3,703,969	2,185,843
Non-current debt and current portion of non-current debt to OJSC "Sberbank"	2,873,307	2,873,307

The guarantees from OJSC "Sberbank" equal RR 3,467 thousand as at 31 December 2014 (as at 31 December 2013: RR 3,150,096 thousand).

Transactions with key management

Compensation is paid to members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and a performance bonus depending on results for the period according to Russian statutory financial results of the Company. The compensation is approved by the Board of Directors. Discretionary bonuses are also payable to members of the Management Board, which are approved by the Chairman of the Management Board according to his perception of the value of their contribution.

Fees, compensation or allowances to the members of the Board of Directors for attending Board meetings are paid depending on results for the year.

Total remuneration accrued to the members of the Board of Directors and Management Board is presented below:

	Year ended 31 December 2014		Year ended 31 December 2013	
	Expenses	Accrued liabilities	Expenses	Accrued liabilities
Remuneration	125,812	3,334	100,431	6,626
Additional remuneration paid by treasury shares (Note 13)	21,911	-	-	-
Social funds contribution	13,394	-	2,215	-
Medical insurance	1,631	-	2,063	-
Retirement benefit obligations	1,589	24,095	3,091	27,609

Transactions with other related parties

Transactions with other related parties represent transactions with the pension fund. For the year ended 31 December 2014 the Group made contributions of RR 89,623 thousand to NPF Electroenergetiki (for the year ended 31 December 2013: RR 50,578 thousand).

(in thousands of Russian Roubles)

Note 6. Property, plant and equipment

	Production buildings	Construc-tions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2014	**37,874,510**	**20,759,477**	**44,853,971**	**15,033,605**	**1,653,028**	**64,060,710**	**184,235,301**
Additions	36,809	1,441,473	3,779	71,900	19,026	22,582,610	24,155,597
Transfer	461,359	456,073	1,523,263	459,445	35,949	(2,936,089)	-
Disposals	(37,958)	(31,557)	(12,774)	(19,741)	(33,399)	(132,549)	(267,978)
Closing balance as at 31 December 2014	**38,334,720**	**22,625,466**	**46,368,239**	**15,545,209**	**1,674,604**	**83,574,682**	**208,122,920**
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2014	**(16,704,396)**	**(10,902,911)**	**(19,309,536)**	**(7,454,595)**	**(1,089,415)**	**(284,147)**	**(55,745,000)**
Charge for the period	(688,927)	(825,250)	(1,990,961)	(1,220,990)	(117,482)	-	(4,843,610)
Disposals	17,061	26,485	9,381	18,352	33,071	-	104,350
Charge of impairment	(2,121,349)	(730,552)	(776,498)	(399,063)	(80,318)	(774,751)	(4,882,531)
Reversal of impairment	-	-	-	-	-	105	105
Closing balance as at 31 December 2014	**(19,497,611)**	**(12,432,228)**	**(22,067,614)**	**(9,056,296)**	**(1,254,144)**	**(1,058,793)**	**(65,366,686)**
Net book value as at 31 December 2014	**18,837,109**	**10,193,238**	**24,300,625**	**6,488,913**	**420,460**	**82,515,889**	**142,756,234**
Net book value as at 31 December 2013	**21,170,114**	**9,856,566**	**25,544,435**	**7,579,010**	**563,613**	**63,776,563**	**128,490,301**

	Production buildings	Construc-tions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2013	**37,665,957**	**19,614,523**	**44,164,395**	**14,080,513**	**1,626,223**	**48,509,459**	**165,661,070**
Additions	13,136	-	60	32,067	17,118	18,865,065	18,927,446
Transfer	197,416	1,302,907	777,613	959,055	25,978	(3,262,969)	-
Disposals	(1,999)	(157,953)	(88,097)	(38,030)	(16,291)	(50,845)	(353,215)
Closing balance as at 31 December 2013	**37,874,510**	**20,759,477**	**44,853,971**	**15,033,605**	**1,653,028**	**64,060,710**	**184,235,301**
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2013	**(16,003,525)**	**(10,117,988)**	**(17,451,848)**	**(6,325,226)**	**(981,129)**	**(326,451)**	**(51,206,167)**
Charge for the period	(701,931)	(839,041)	(1,929,771)	(1,161,764)	(124,577)	-	(4,757,084)
Disposals	1,060	54,118	72,083	32,395	16,291	42,304	218,251
Closing balance as at 31 December 2013	**(16,704,396)**	**(10,902,911)**	**(19,309,536)**	**(7,454,595)**	**(1,089,415)**	**(284,147)**	**(55,745,000)**
Net book value as at 31 December 2013	**21,170,114**	**9,856,566**	**25,544,435**	**7,579,010**	**563,613**	**63,776,563**	**128,490,301**
Net book value as at 31 December 2012	**21,662,432**	**9,496,535**	**26,712,547**	**7,755,287**	**645,094**	**48,183,008**	**114,454,903**

Construction in progress as at 31 December 2014 and 31 December 2013 includes advances for property, plant and equipment in the amount of RR 10,459,206 thousand and RR 16,710,043 thousand respectively.

As at 31 December 2014 the advances given to major contractors recorded within construction in progress are: OJSC "E4 Group" to build a power unit on site of Serovskaya GRES amounted to RR 4,738,554 thousand (net of VAT), CJSC "QUARTZ-Novie Technologii" to build a power unit on site of Troitskaya GRES amounted to RR 3,918,185 thousand (net of VAT) and CJSC "PF VIS" for construction of a power unit on site of Novocherkasskaya GRES amounted to RR 1,115,328 thousand (net of VAT) (as at 31 December 2013: RR 4,449,337 thousand (net of VAT) OJSC "E4 Group", RR 11,506,892 thousand (net of VAT) CJSC "QUARTZ-Novie Technologii", RR 494,900 thousand (net of VAT) CJSC "PF VIS"). The respective input VAT is recognised within trade and other receivables (Note 10).

(in thousands of Russian Roubles)

The return of the advance payments made to CJSC "PF VIS" for construction of a power unit on site of Novocherkasskaya GRES in case of non-fulfilment of construction obligations was guaranteed by OJSC "BANK "ROSSIYA" as at 31 December 2014 in the amount of RR 138,368 thousand (as at 31 December 2013: RR 1,416,040 thousand).

The return of the advance payments made to CJSC "QUARTZ-Novie Technologii" to secure the contractor's obligations under the general construction contract with the Group as at 31 December 2014 in the amount of RR 12,672,692 thousand was guaranteed by the contract of pledge of property rights by CJSC "QUARTZ-Novie Technologii" (as at 31 December 2013: RR 12,672,692 thousand by CJSC "QUARTZ-Novie Technologii").

The return of the advance payments made to OJSC "E4 Group" to secure the contractor's obligations under the general construction contract with the Group as at 31 December 2014 in the amount of RR 8,375,747 thousand was guaranteed by the contract of pledge of property rights by OJSC "E4 Group" (as at 31 December 2013: RR 8,375,747 thousand).

The Group capitalized borrowing costs attributable to the acquisition, construction or production of an asset in the amount of RR 2,719,048 thousand (for the year ended 31 December 2013: RR 331,825 thousand), with an average capitalisation rate of 8.06% (for the year ended 31 December 2013: 8.09%).

The amount of ash dump restoration costs capitalised within the group "Constructions" (Note 17) is RR 1,336,281 thousand as at 31 December 2014 (as at 31 December 2013: RR 25,397 thousand).

Impairment

Management determined whether there was any indication of impairment of the Group's property, plant and equipment as at 31 December 2014. The key indicators of impairment were significant changes in Russian economy in 2014 with an adverse effect on the Group (Note 1). Particularly, one of the key indicator for impairment is market interest rate increase and this increase is likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount of the Group.

For the purposes of impairment test assets of the Group were grouped into 10 cash-generating units. Each power station of the Group was considered as separate cash-generating unit: Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Kirishskaya GRES, Ryazanskaya GRES, Novochercasskaya GRES each of which is a separate reportable segment and Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Pskovskaya GRES which included in other operating segments of the Group (Note 30).

Impairment test was conducted by comparing carrying amount of property, plant and equipment with the recoverable amount.

The majority of the Group's property, plant and equipment is specialized in nature and is rarely sold on the open market other than as part of a continuing business. Consequently, the recoverable amount of property, plant and equipment was primarily determined using discounted cash-flows method. The present value of the future cash flows of each cash-generating unit was calculated based on the projected future net cash flows using certain assumptions.

The following key assumptions were used when the cash flow testing was performed as at 31 December 2014:

Forecast period *	2015-2031
Forecasted growth rate in terminal period	4%
Discount rate before tax (based on weighted average cost of capital)	15.57%
Forecast of electricity and capacity prices in competitive market	2015-2017 - the Company's management forecast based on parameters of Ministry of Economic Development of the Russian Federation 2018-2031 - based on the forecast growth of energy prices according to the Ministry of Economic Development of the Russian Federation
Forecast of electricity and capacity volumes	Based on the Company's management assessment of future trends in the business

(in thousands of Russian Roubles)

* *Management considers that a forecast period greater than five years is appropriate as electricity, capacity and heat market is expected to change significantly over the forecast period and cash flow projections will be not stabilized within five years.*

As a result of the impairment test impairment loss was recognised for certain cash-generating units. The total impairment loss of RR 4,882,531 thousand was recognised within operating expenses of consolidated statement of profit and loss for the year ended 31 December 2014, the loss relates to the following cash-generating units:

- Cherepovetskaya GRES - in the amount of RR 2,982,262 thousand;
- Pskovskaya GRES - in the amount of RR 1,900,269 thousand.

The calculation of the recoverable amounts from cash-generating units is highly sensitive to the pre-tax discount rate and change of forecasted tariffs: a change in one or more key assumptions using real possible alternative assumptions leads to a significant change in the recoverable amount of property, plant and equipment.

If the pre-tax discount rate was 1 percent higher in the forecasted period, there would be total impairment loss of RR 6,524,876 thousand recognised as at 31 December 2014. If the electricity tariffs were 5 percent lower in the forecasted period, there would be total impairment loss of RR 9,048,429 thousand recognised as at 31 December 2014.

In addition, the impairment provision balance is included in accumulated depreciation as at 31 December 2014 and relates to the assets under construction that have been indefinitely suspended for further construction and are not included in the Group's investment program (Note 27) in the amount of RR 284,042 thousand (as at 31 December 2013: RR 284,147 thousand).

Finance lease

The Group leased certain equipment under a number of finance lease agreements. At the end of the leases the Group has the option to purchase the equipment at a price significantly lower its fair value. The net book value of leased property, plant and equipment is presented below:

	31 December 2014	31 December 2013
Energy machinery and equipment	36,340	39,934
Other machinery and equipment	172,464	175,452
Other	181,909	212,933
Total	**390,713**	**428,319**

The leased equipment is pledged as a security for the lease obligation.

Operating lease

The Group leases a number of land plots owned by local governments and other assets under operating leases. Lease payments are determined by lease agreements. Lease agreements are concluded for the different periods. Part of the lease contracts is concluded for a year with right of future prolongation, maximum lease period is 50 years. Lease payments are reviewed regularly to reflect market rentals.

Operating lease rentals are payable as follows:

	31 December 2014	31 December 2013
Not later than one year	5,714,294	3,205,755
Later than one year and not later than five years	2,028,579	1,636,478
Later than five years and not later than ten years	1,266,921	1,087,932
Later than ten years	6,534,131	5,124,937
Total	**15,543,925**	**11,055,102**

(in thousands of Russian Roubles)

Note 7. Intangible assets

	SAP software	Other intangibles	Total intangible assets
Cost			
Balance as at 1 January 2014	**1,368,534**	**415,282**	**1,783,816**
Additions	-	86,638	86,638
Disposals	(11,142)	(28,142)	(39,284)
Balance as at 31 December 2014	**1,357,392**	**473,778**	**1,831,170**
Amortisation			
Balance as at 1 January 2014	**(138,540)**	**(101,215)**	**(239,755)**
Charge for the period	(171,439)	(68,927)	(240,366)
Disposals	-	28,142	28,142
Balance as at 31 December 2014	**(309,979)**	**(142,000)**	**(451,979)**
Net book value as at 31 December 2014	**1,047,413**	**331,778**	**1,379,191**
Net book value as at 31 December 2013	**1,229,994**	**314,067**	**1,544,061**

	SAP software	Other intangibles	Total intangible assets
Cost			
Balance as at 1 January 2013	**1,225,030**	**427,581**	**1,652,611**
Additions	147,741	139,371	287,112
Disposals	(4,237)	(151,670)	(155,907)
Balance as at 31 December 2013	**1,368,534**	**415,282**	**1,783,816**
Amortisation			
Balance as at 1 January 2013	**(72,697)**	**(175,167)**	**(247,864)**
Charge for the period	(65,843)	(77,717)	(143,560)
Disposals	-	151,669	151,669
Balance as at 31 December 2013	**(138,540)**	**(101,215)**	**(239,755)**
Net book value as at 31 December 2013	**1,229,994**	**314,067**	**1,544,061**
Net book value as at 31 December 2012	**1,152,333**	**252,414**	**1,404,747**

There are no advances paid to suppliers of intangible assets at 31 December 2014 (as at 31 December 2013: RR 11,142 thousand (net of VAT).

Note 8. Other non-current assets

	Notes	31 December 2014	31 December 2013
Long-term loan issued	5	1,048,344	1,048,344
Available-for-sale investments		518,876	582,326
Long-term promissory notes (nominal value of promissory notes is RR 594,889 thousand as at 31 December 2014 and RR 819,598 thousand as at 31 December 2013)	10	300,227	484,047
Long-term restructured trade and other receivables (net of provision for impairment of RR 6,700 thousand as at 31 December 2014 and RR 10,766 thousand as at 31 December 2013, and the effect of discounting of RR 19,462 thousand as at 31 December 2014 and RR 46,883 thousand as at 31 December 2013)	10	27,971	87,335
Financial assets		**1,895,418**	**2,202,052**
Deposits for pensions	16	662,700	683,208
Long-term input VAT from advances paid	10	4,433	26,070
Other		6,654	6,652
Total		**2,569,205**	**2,917,982**

(in thousands of Russian Roubles)

Available-for-sale investments. In September 2014 the Group sold all the ordinary shares of OJSC "RusHydro" in the amount of 90,454,910 shares with a nominal value of RR 0.001 thousand, the fair value at the date of disposal was RR 66,032 thousand (as at 31 December 2013: 51,342 thousand). Gain from changes in fair value of the shares of OJSC "RusHydro" from 1 January 2014 until the date of disposal was RR 14,690 thousand (in other comprehensive income at year ended 31 December 2014 included a net value in the amount of RR 11,752 thousand (net of income tax in the amount of RR 2,938 thousand). Loss on disposal of shares of OJSC "RusHydro" was RR 112,295 thousand (in other comprehensive income at year ended 31 December 2014 included a net value in the amount of RR 95,850 thousand (net of income tax in the amount of RR 16,445 thousand):

	Date of disposal
Available-for-sale investments	(66,032)
Remuneration received	66,032
Accumulated loss on available-for-sale investments reclassified to Statement of Profit or Loss on their disposal (related deferred tax liability RR 16,445 thousand)	(112,295)
Loss on disposal of available-for-sale investments	**(112,295)**

As at 31 December 2014 available-for-sale investments include 9.49% share in LLC "OGK-Investproekt" in the amount of RR 518,876 thousand (as at 31 December 2013: RR 530,984 thousand, 9.49% share in LLC "OGK-Investproekt").

Note 9. Cash and cash equivalents

	Currency	31 December 2014	31 December 2013
Current bank accounts	RR	13,055,550	2,288,331
Other cash equivalents	RR	49	39
Bank deposits with maturity three months or less	RR	-	3,467,861
Total		**13,055,599**	**5,756,231**

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 31 December 2014*	31 December 2014	Credit rating on 31 December 2013*	31 December 2013
JSC "Gazprombank"	D-/Negative	12,794,910	D-/ Stable	43,594
OJSC "BANK "ROSSIYA"	WR/Ratings Withdrawn	260,154	WR/Ratings Withdrawn	21,099
OJSC "Sberbank"	D+/ Negative	424	D+/Stable	620
OJSC "VTB"	D-/ Stable	60	-	-
OJSC "Alfa-bank"	D/Stable	2	D/Stable	2,223,018
Total cash in bank		**13,055,550**		**2,288,331**

* The bank financial strength rating / the outlook on all of the bank's ratings, determined by Moody's Investor Service.

Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Interest rate	Credit rating on 31 December 2014*	31 December 2014	Interest rate	Credit rating on 31 December 2013*	31 December 2013
OJSC "Alfa-bank"	-	-	-	6.58%-7.00%	Not-Prime	3,459,361
OJSC "BANK "ROSSIYA"	-	-	-	6.00%	WR/Ratings Withdrawn	8,500
Total bank deposits with maturity of three months or less			**-**			**3,467,861**

* Short-term rating of domestic currency deposits, determined by Moody's Investors Service.

(in thousands of Russian Roubles)

Note 10. Trade and other receivables

	Notes	31 December 2014	31 December 2013
Trade receivables (net of provision for impairment of RR 6,401,767 thousand as at 31 December 2014 and RR 5,500,512 thousand as at 31 December 2013, and the effect of discounting of RR 3,528 thousand as at 31 December 2014 and RR 35,795 thousand as at 31 December 2013)		9,013,707	9,304,844
Other receivables (net of provision for impairment of RR 1,247,635 thousand as at 31 December 2014 and RR 1,237,480 thousand as at 31 December 2013, and the effect of discounting of RR 16,130 thousand as at 31 December 2014 and RR 11,088 thousand as at 31 December 2013)		943,378	4,365,666
Promissory notes (nominal value of promissory notes is RR 1,193,758 thousand as at 31 December 2014 and RR 1,858,415 thousand as at 31 December 2013)		886,675	1,479,532
Interest receivable		50,042	45,826
Financial assets		**10,893,802**	**15,195,868**
Input VAT		1,518,855	3,046,246
Prepaid other taxes and social funds contribution		1,105,334	270,203
Advances to suppliers (net of provision for impairment of RR 14,136 thousand as at 31 December 2014 and RR 14,130 thousand as at 31 December 2013)		1,035,454	819,950
Total		**14,553,445**	**19,332,267**
Less: Long-term promissory notes	8	(300,227)	(484,047)
Long-term restructured trade and other receivables	8	(27,971)	(87,335)
Long-term input VAT from advances paid	8	(4,433)	(26,070)
Total		**14,220,814**	**18,734,815**

Other receivables for 2,492,037,794 treasury shares amount to RR 4,235,816 thousand as of 31 December 2013 were settled in 2014 (Note 13).

Breakdown of promissory notes is presented below:

Bank	Credit rating on 31 December 2014*	31 December 2014	Credit rating on 31 December 2013*	31 December 2013
JSC "Gazprombank"	D-/Negative	615,800	D-/ Stable	750,611
OJSC "Alfa-bank"	D/Stable	264,726	D/Stable	722,204
Other	-	6,149	-	6,717
Total promissory notes		**886,675**		**1,479,532**

* The bank financial strength rating / the outlook on all of the bank's ratings, determined by Moody's Investor Service.

(in thousands of Russian Roubles)

Note 11. Inventories

	31 December 2014	31 December 2013
Fuel supplies	4,273,139	4,383,289
Spare parts	2,190,544	925,895
Materials and supplies	873,392	960,482
Other inventories	-	74,624
Total	**7,337,075**	**6,344,290**

Inventories are presented net of provision for obsolescence of RR 149,061 thousand and RR 47,343 thousand as at 31 December 2014 and 31 December 2013, respectively.

As at 31 December 2014 unpaid inventories amounted to RR 2,058,810 thousand (as at 31 December 2013: RR 1,288,944 thousand).

Note 12. Other current assets

	31 December 2014	31 December 2013
Short-term deposits	-	3,100,000
Total	**-**	**3,100,000**

Credit quality of bank deposits is presented below:

Bank deposits with maturity more than three months but within one year	Interest rate	Credit rating on 31 December 2014*	31 December 2014	Credit rating on 31 December 2013*	31 December 2013
OJSC "Alfa-bank"	6.83%-7.00%	-	-	Not-Prime	3,100,000
Total bank deposits with maturity more than three months but within one year			**-**		**3,100,000**

* Short-term rating of domestic currency deposits, determined by Moody's Investors Service.

Note 13. Equity

Share capital in 2014

Share capital	Number of ordinary shares 31 December 2014	Number of ordinary shares 31 December 2013
Issued shares	110,441,160,870	110,441,160,870
Treasury shares	(4,741,836,939)	(2,361,540,300)
Total outstanding shares	**105,699,323,931**	**108,079,620,570**

Each ordinary share carries one vote.

As at 31 December 2014 and 31 December 2013 the number of authorised for issue but not issued ordinary shares is 58,886,766,090 shares.

Share capital in 2013

In 2013 as a result of additional ordinary share issue in the amount of 51,113,233,910 shares share capital of the Company was increased by RR 18,538,770 thousand and amounted to RR 40,057,009 thousand, share premium was increased by RR 4,462,185 thousand and amounted to RR 28,378,693 thousand. All issued ordinary shares are fully paid.

(in thousands of Russian Roubles)

Dividends

The Company's annual statutory accounts form the basis for the annual profit distribution and other appropriations. The specific Russian legislation identifies the basis of distribution as 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 of the distributable reserves in these financial statements.

At the General Shareholders Meeting held on 06 June 2014, the decision was made not to pay dividends for the year ended 31 December 2013.

At the General Shareholders Meeting held on 28 May 2013, the decision was made not to pay dividends for the year ended 31 December 2012.

In December 2014 the Company recovered unclaimed dividends for 2010 in retained earnings in the amount of RR 2,968 thousand.

Treasury shares

In June 2014 LLC "OGK-2 Finance", the Group's subsidiary, sold on MICEX 1,300,000 shares of OJSC "OGK-2" in the total amount of RR 302 thousand (for the year ended 31 December 2013: nil).

On June 6, 2014 the Annual General Meeting of Shareholders of OJSC "OGK-2" decided to pay an additional remuneration to the Board members elected by the Annual General Meeting of Shareholders on May 28, 2013, in the form of ordinary shares of OJSC "OGK-2" held by OJSC "OGK-2", in the total number of 110,441,155 shares. The payment of additional remuneration in the form of OJSC "OGK-2" shares was carried at their market value of RR 21,911 thousand. The market value was defined as the shares' weighted average price calculated by the Russian organizer of trade in the securities market (stock exchange) based on the results of the organized trading on the date of payment. The difference of RR 168,040 thousand between the market value of the above shares and their carrying amount was recognized in retained earnings.

Following the cancellation of the 2011 agreement on the sale of the Company's shares 2,492,037,794 shares were received on the balance of OJSC "OGK-2" in December 2014 in the total amount of RR 471,493 thousand that is their market value as at the date of the agreement cancellation.

Fair value revaluation reserve

The movements in fair value of available-for-sale investments (Note 8), which is recognized as part of other comprehensive income are presented below:

As at 31 December 2012	**(111,969)**
Change in fair value of available-for-sale investments including tax for the period	(15,016)
As at 31 December 2013	**(126,985)**
Change in fair value of available-for-sale investments including tax for the period	2,582
Accumulated loss on available-for-sale investments reclassified to Statement of Profit or Loss on their disposal including tax	112,295
As at 31 December 2014	**(12,108)**

Note 14. Income tax

Income tax charge

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax charge	(1,170,664)	(734,486)
Tax returns for prior periods	(22,391)	12,914
Deferred income tax benefit / (expense)	247,917	(469,461)
Total income tax charge	**(945,138)**	**(1,191,033)**

During the year ended 31 December 2014 the Group was subject to a 20% income tax rate on taxable profits (for the year ended 31 December 2013: 20%).

(in thousands of Russian Roubles)

Reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2014	Year ended 31 December 2013
(Loss) / profit before tax	**(487,466)**	**5,432,459**
Theoretical tax charge at the statutory tax rate of 20%	97,493	(1,086,492)
Tax returns for prior periods	(22,391)	12,914
Tax effects of items which are non-deductible for income tax purposes	(1,020,240)	(117,455)
Total income tax charge	**(945,138)**	**(1,191,033)**

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 their tax bases. Deferred income tax assets and liabilities are measured at 20%, the rate applicable when the temporary differences will reverse.

Deferred income tax liabilities

	31 December 2013	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2014
Property, plant and equipment	(6,990,868)	45,915	-	(6,944,953)
Deposits for pensions	(136,642)	4,102	-	(132,540)
Provision for impairment of trade receivables	(113,722)	(40,289)	-	(154,011)
Intangible assets	(12,905)	1,414	-	(11,491)
Available-for-sale investments	-	19,383	(19,383)	-
Total	**(7,254,137)**	**30,525**	**(19,383)**	**(7,242,995)**

Deferred income tax assets

	31 December 2013	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2014
Retirement benefit obligations	228,613	19,137	(70,978)	176,772
Trade and other payables	98,012	(33,048)	-	64,964
Restoration provision	91,638	249,733	-	341,371
Other non-current assets	85,154	(19,805)	-	65,349
Finance lease liabilities	31,255	(13,278)	-	17,977
Inventory	9,469	20,343	-	29,812
Available-for-sale investments	4,143	(4,143)	2,421	2,421
Unused tax losses	2,936	(1,547)	-	1,389
Total	**551,220**	**217,392**	**(68,557)**	**700,055**

(in thousands of Russian Roubles)

	31 December 2013	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2014
Total deferred income tax liabilities	(7,254,137)	30,525	(19,383)	(7,242,995)
Total deferred income tax assets	551,220	217,392	(68,557)	700,055
Deferred income tax liabilities, net	**(6,702,917)**	**247,917**	**(87,940)**	**(6,542,940)**

Deferred income tax liabilities

	31 December 2012	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2013
Property, plant and equipment	(6,856,650)	(134,218)	-	(6,990,868)
Deposits for pensions	(166,706)	30,064	-	(136,642)
Intangible assets	(13,895)	990	-	(12,905)
Provision for impairment of trade receivables	-	(113,722)	-	(113,722)
Total	**(7,037,251)**	**(216,886)**	**-**	**(7,254,137)**

Deferred income tax assets

	31 December 2012	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2013
Retirement benefit obligations	318,138	(23,552)	(65,973)	228,613
Provision for impairment of trade receivables	193,257	(193,257)	-	-
Restoration provision	111,250	(19,612)	-	91,638
Other non-current assets	101,771	(16,617)	-	85,154
Trade and other payables	67,416	30,596	-	98,012
Finance lease liabilities	56,049	(24,794)	-	31,255
Inventory	9,147	322	-	9,469
Unused tax losses	3,407	(471)	-	2,936
Other	6,330	(5,190)	3,003	4,143
Total	**866,765**	**(252,575)**	**(62,970)**	**551,220**

(in thousands of Russian Roubles)

	31 December 2012	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	31 December 2013
Total deferred income tax liabilities	(7,037,251)	(216,886)	-	(7,254,137)
Total deferred income tax assets	866,765	(252,575)	(62,970)	551,220
Deferred income tax liabilities, net	**(6,170,486)**	**(469,461)**	**(62,970)**	**(6,702,917)**

Note 15. Non-current debt

	Currency	Effective interest rate	Due	31 December 2014	31 December 2013
Loans	RR	7.91%-8.40%	2016-2017	40,570,664	34,570,664
Finance lease liability	RR	19.62%-27.90%	2016	28,146	70,876
Total				**40,598,810**	**34,641,540**

All of the above debt is obtained at fixed interest rates. The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans.

Maturity table

	31 December 2014	31 December 2013
Due for repayment		
Between one and two years	24,498,810	3,651,059
Between two and three years	16,100,000	30,990,481
Total	**40,598,810**	**34,641,540**

The lease liabilities are effectively secured as the rights for the leased asset revert to the lessor in the event of default.

Finance lease liabilities – minimum lease payments	31 December 2014	31 December 2013
Due for repayment		
Less than one year	70,605	101,666
Between one year and five years	29,767	80,297
Future finance charges on finance lease	(12,614)	(31,336)
Present value of lease liabilities	**87,758**	**150,627**

Note 16. Retirement benefit obligations

The post employment and post retirement program of the Company consists of the occupational pension plan and various post employment, long-term and jubilee benefits. This is a defined benefit plan, under which the participants accrue pension entitlements on the basis of a formula or defined rule. The occupational pension program comprises the main part of the program. According to the pension formula, the pension benefit is dependent on the past service of participants and their final salary. Employees older than 25 are entitled to the occupational pension benefits.

The defined benefit pension plan provides old age retirement pension and disability pension. The plan's old age retirement pension is conditional on the member qualifying for the State old age pension.

The Company also provides various long-term and post employment benefits including death in service and death in occupational pension benefit, lump sum payments upon retirement and jubilee benefits to active employees.

(in thousands of Russian Roubles)

Additionally the Company provides financial support payments of a defined benefit nature to its former employees, who have reached the retirement age. Such benefits are paid either to those who qualify for the occupational pension plan and those who do not.

Due to the post employment program the Company pays contributions to NPF Electroenergetiki and NPF GAZFOND, which are accumulated on pension accounts. In accordance with the terms of the treaty there is a possibility to abrogate a contract and receive the redemption amount of the depositor. In that way NPF funds do not meet the plan assets criteria. So they are recognized as a separate asset of the Company. The amount of that asset equals RR 662,700 thousand as at 31 December 2014 (as at 31 December 2013: RR 683,208 thousand) (Note 8).

As at 31 December 2014, there were 9,001 active employees eligible to participate in the post retirement defined benefit program of the Company and 7,012 recipients of the financial support benefits (as at 31 December 2013: 9,054 and 7,107 respectively).

The last independent actuarial valuation of pension and other post employment and long-term benefits in accordance with the provisions of IAS 19 was performed as at 31 December 2014 using individual members' census data as at the valuation date.

Amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2014	31 December 2013
Present value of defined benefit obligation	1,314,740	1,728,888
Present value of other long-term employee benefit obligation	215,499	291,471
Total defined benefit liability	**1,530,239**	**2,020,359**

The movement in the defined benefit obligation over the year is as follows:

	Present value of defined benefit obligation	Present value of other long-term employee benefit obligation	Total
At 1 January 2013	**2,396,333**	**422,249**	**2,818,582**
Current service cost	109,325	25,897	135,222
Past service cost	(81,796)	-	(81,796)
Curtailment	(51,715)	(8,067)	(59,782)
Interest expense	170,795	31,685	202,480
Remeasurements:			
Loss from change in demographic assumptions	84,663	3,085	87,748
Gain from change in financial assumptions	(529,348)	(96,644)	(625,992)
Experience gains	(146,307)	(43,178)	(189,485)
Benefits paid	(223,062)	(43,556)	(266,618)
At 31 December 2013	**1,728,888**	**291,471**	**2,020,359**
Current service cost	72,425	17,557	89,982
Interest expense	144,105	24,722	168,827
Remeasurements:			
Experience losses / (gains)	186,284	(43,553)	142,731
(Gain) / loss from change in demographic assumptions	(148,828)	12,933	(135,895)
Gain from change in financial assumptions	(501,516)	(55,231)	(556,747)
Benefits paid	(166,618)	(32,400)	(199,018)
At 31 December 2014	**1,314,740**	**215,499**	**1,530,239**

(in thousands of Russian Roubles)

Amounts recognised in the consolidated statement of profit or loss are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Service cost	89,982	53,426
Curtailment	-	(59,782)
Remeasurements on present value of other long-term employee benefit obligation	(85,851)	(136,737)
Interest expense	168,827	202,480
Total	**172,958**	**59,387**

Amounts recognised in consolidated statement of comprehensive income are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Experience losses / (gains)	186,284	(146,307)
(Gain) / loss from change in demographic assumptions	(148,828)	84,663
Gain from change in financial assumptions	(501,516)	(529,348)
Total	**(464,060)**	**(590,992)**

The movement of remeasurements in consolidated statement of comprehensive income are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
At the beginning of year	410,343	1,001,335
Movement of remeasurements	(464,060)	(590,992)
At the end of year	**(53,717)**	**410,343**

The key actuarial assumptions used were as follows:

	31 December 2014	31 December 2013
Discount rate	13.00%	8.00%
Future salary increases	8.50%	7.10%
Future pension increases	n/a	n/a
Future financial support benefits increases	7.40%	4.90%
Social fund contribution rate	26.49%	23.13%
Staff turnover	4.80%	4.00%
Expected retirement age:		
Male	62	60
Female	57	57
Mortality (employees)	Russia, 2013 adjusted 60% (to level 40%)	Russia, 1998 adjusted 65% (to level 35%)
Mortality (pensioners)	Russia, 2013 adjusted 6% (to level 94%)	Russia, 1998 adjusted 25% (to level 75%)

Financial actuarial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. The average period over which the Group obligations are to be settled is 10 years.

(in thousands of Russian Roubles)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit liability
Discount rate	Increase / decrease by 1%	Decrease / Increase by 8.00%
Future salary increases	Increase / decrease by 0.50%	Increase / decrease by 3.83%
Future financial support benefits increases (inflation)	Increase / decrease by 0.50%	Increase / decrease by 0.53%
Staff turnover	Increase / decrease by 10.00%	Decrease / Increase by 2.15%
Mortality level	Increase / decrease by 10.00%	Decrease / Increase by 0.68%
Probability of retirement	Increase / decrease by 10.00%	Decrease / Increase by 0.90%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The Group expects to contribute to the plan for the next annual reporting period RR 146,976 thousand.

The most significant Group's risks that arise from the post-employment benefit plan are:

- *Changes in government bond yield.* The reduction in government bond yields will lead to the growth of the current value of liabilities according to the employee benefit plan of the Group.
- *Inflation risk and the risk of employees' wages growth.* The most of the employee benefit plans are linked to the level of employees' wages and salaries. At the same time the inflation growth has a direct impact on the growth of salaries and wages. So the high inflation level will lead to the growth of the current value of liabilities according to the employee benefit plan of the Group.
- *The reduction of mortality rate among plan participants.* The most part of the Group's liabilities includes lump sum payments upon reaching certain age or experience achievement, including retirement payments. The amount of the Group's obligation for such payments depends on the probability of employees' survival to the expected date of settlement. In addition to employee benefit plan, the Group makes a lifetime payments to non-working pensioners. The amount of such obligation depends on life expectancy. The reduction of death rate among employees and pensioners will lead to the growth of the current value of liabilities according to the all benefit plans of the Group.

Note 17. Restoration provision

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and an obligation to restore the surface of this ash dump when it is full. The main assumptions used in the calculation of the provision are as following:

- Average inflation per annum – 5.77% (2013: 4.20%);
- Pre-tax discount rate – 12.80% (2013: 13.88%);
- Projected restoration period – 15 years (2013: 10 years).

	Notes	31 December 2014	31 December 2013
Total carrying amount at the beginning of year		**458,190**	**556,252**
Less current portion		(38,554)	(45,119)
Non-current portion at the beginning of year		**419,636**	**511,133**
Unwinding of the present value discount	25	104,541	39,588
Changes in estimates adjusted against property, plant and equipment		1,441,474	(81,927)
Utilisation		(297,349)	(55,723)
Total carrying amount at the end of year		**1,706,856**	**458,190**
Less current portion		(261,372)	(38,554)
Non-current portion at the end of year		**1,445,484**	**419,636**

(in thousands of Russian Roubles)

Increase in provision as at 31 December 2014 mainly relates to additional volume of restoration works.

The sensitivity of the restoration provision for ash dump restoration to changes in the principal assumptions is:

	Change in assumption	Impact on restoration provision	Impact on restoration provision
Discount rate	Increase / decrease by 1%	Decrease by 96,480 / increase by 106,708	Decrease by 5.65% / increase by 6.25%
Restoration cost	Increase / decrease by 10%	Increase / decrease by 170,686	Increase / decrease by 10.00%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

Note 18. Other long-term liabilities

	31 December 2014	31 December 2013
Trade payables (net of effect of discounting RR 153,980 thousand as at 31 December 2014 and nil as at 31 December 2013)	494,049	987,751
Accrued liabilities and other payables	8,020	8,763
Total finance liabilities	**502,069**	**996,514**

Note 19. Current debt and current portion of non-current debt

	Currency	Effective interest rate	31 December 2014	31 December 2013
Current portion of long-term loans	RR	7.91-8.40%	6,502,643	-
Current portion of finance lease liability	RR	19.62%-27.90%	59,612	79,751
Total			**6,562,255**	**79,751**

All of the above debt is obtained at fixed interest rates. The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans.

Note 20. Trade and other payables

	31 December 2014	31 December 2013
Trade payables	10,299,881	7,532,200
Accrued liabilities and other payables	383,488	397,620
Dividends payable	595	3,624
Interest payable	-	2,643
Financial liabilities	**10,683,964**	**7,936,087**
Salaries and wages payable	604,710	682,177
Advances from customers	234,352	46,672
Total	**11,523,026**	**8,664,936**

(in thousands of Russian Roubles)

Note 21. Other taxes payable

	31 December 2014	31 December 2013
Property tax	227,994	250,786
Social tax	216,020	215,945
Water usage tax	150,386	112,598
Environment pollution payment	104,327	51,925
Personal income tax	69,018	78,462
Value added tax	14,548	9,765
Other taxes	10,867	8,217
Total	**793,160**	**727,698**

Note 22. Revenues

	Year ended 31 December 2014	Year ended 31 December 2013
Electricity and capacity	110,337,303	106,597,570
Heating	4,636,799	4,204,297
Other	1,064,195	1,173,726
Total	**116,038,297**	**111,975,593**

Note 23. Operating expenses

	Year ended 31 December 2014	Year ended 31 December 2013
Fuel	65,424,918	64,307,488
Purchased electricity, capacity and heat	11,291,367	9,312,273
Impairment of assets	8,646,854	-
Employee benefits	7,574,098	7,370,965
Depreciation and amortisation of property, plant, equipment and intangible assets	4,970,170	4,585,506
Repairs	3,088,250	3,424,446
Rent	2,948,570	2,260,408
Taxes other than income tax	2,270,457	2,357,489
Dispatcher's fees	1,952,276	1,877,899
Raw materials and supplies	1,721,117	2,165,129
Electricity transit	1,455,724	1,229,264
Charge of provision for impairment of trade and other receivables	1,014,715	2,439,818
Transport	783,403	606,221
Ecological payments	460,609	354,234
Insurance	175,758	204,502
Consulting, legal and audit services	138,693	160,319
Charge of provision for inventory obsolescence	113,707	1,609
Loss / (gain) on disposal of other assets	25,927	(16,492)
(Gain) / loss on disposal of property, plant, equipment	(3,366)	37,363
Other expenses	2,804,101	2,624,399
Total operating expenses	**116,857,348**	**105,302,840**

(in thousands of Russian Roubles)

Employee benefits expenses comprise the following:

	Year ended 31 December 2014	Year ended 31 December 2013
Salaries and wages	5,471,441	5,431,477
Social funds contribution	1,544,985	1,492,643
Financial aid to employees and pensioners	519,883	542,289
Non-state pensions and other long-term benefits	4,131	(143,093)
Other expenses	33,658	47,649
Employee benefits	**7,574,098**	**7,370,965**
Number of personnel at the end of the period	9,415	9,466

Included in social funds contribution are statutory pension contributions of RR 1,222,961 thousand for the year ended 31 December 2014 (for the year ended 31 December 2013: RR 1,160,463 thousand).

Note 24. Finance income

	Year ended 31 December 2014	Year ended 31 December 2013
Interest income on bank deposits and current bank account balances	1,028,597	284,035
Interest income on loans	107,705	54,541
Effect of discounting of long-term promissory notes received	90,013	64,921
Effect of discounting of long-term restructured trade and other receivables	40,465	59,680
Foreign currency exchange gain	26,598	-
Other finance income	94,488	-
Total finance income	**1,387,866**	**463,177**

Note 25. Finance costs

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Interest expense on debt		471,516	1,546,585
Foreign currency exchange loss		284,408	24,746
Interest on employee benefit obligations	16	168,827	202,480
Unwinding of the present value discount - provision for ash dump	17	104,541	39,588
Interest expense under finance lease agreements		23,734	49,595
Effect of discounting of long-term promissory notes received		18,213	30,944
Effect of discounting of long-term restructured trade receivables		-	10,570
Total finance costs		**1,071,239**	**1,904,508**

Note 26. Earnings per share

	Year ended 31 December 2014	Year ended 31 December 2013
Weighted average number of ordinary shares issued	107,965,145,452	108,079,596,547
(Loss) / profit attributable to the shareholders of OJSC "OGK-2" (thousands of RR)	(1,432,604)	4,241,426
(Loss) / earnings per ordinary share attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in RR)	**(0.01)**	**0.04**

The diluted earnings per share are equal to the basic earnings per share as the Company has no dilutive ordinary shares.

Note 27. Capital commitments

In No vember 2010 the Company had signed an agency agreements wi th OJSC " Financial Settling Center" (OJSC "CFS"), OJSC "ATS", NP Council Market and OJSC SO UPS, under which OJSC "CFS" was to sign on behalf of OJSC "OGK-2" contracts on capacity provision. In December 2010 OJSC "CFS" on behalf of the OJSC "OGK-2" signed the contracts on provision of capacity from estimated generating units. At 31 December 2014 the Company had an obligation to put into operation generating units of 1 890 mW. In accordance with agency agreements conditions in case of non-compliance with deadlines of putting into operation of generating units, or in case of incomplete delivery, the Company pays the forfeit. Amount of forfeit depends on terms of expiration of generating unit entry date, volume of incomplete delivered capacity and price for this capacity according to long-term capacity supply contract. Management of the Company does not expect non-fulfilment or partial fulfilment of obligations under long-term capacity supply contract that can result in significant forfeits.

As at 31 December 2014 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 22,068,688 thousand (as at 31 December 2013: RR 25,140,241 thousand).

As at 31 December 2014 the Group has commitments (including VAT) of RR 6,796 thousand in respect of software implementation costs (as at 31 December 2013: RR 169,283 thousand).

Note 28. Contingencies

Political and economic environment. The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russian Federation.

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

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

Tax contingency. Russian tax, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. 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 arise. 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.

Russian transfer pricing legislation was modified and effective from 1 January 2012. New principles are significantly detailed and, to a certain extent, better aligned with international principles developed by Organization for Economic Co-operation and Development (OECD). The new transfer pricing legislation also provides the possibility for tax authorities to impose additional tax liabilities in respect of all controllable transactions (transactions with interdependent parties and some sort of transactions with independent parties), if transactions do not comply with market conditions.

During the period the Group's subsidiaries had controllable transactions and transactions, that could be considered as such with a high degree of certainty. The Management of the Group implements internal control procedures to apply requirements of transfer pricing legislation.

There is no practice in application of new principles at the moment, consequences of trials with tax authorities of the Group's transfer pricing cannot be reliably estimated therefore it may be significant to the financial results and / or operations of the Group.

As at 31 December 2014 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained.

(in thousands of Russian Roubles)

Environmental matters. The Group and its predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement position of government authorities is continually being reconsidered.

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and is subject to the environmental regulations in this country in respect of the usage of the ash dump. As such, the Group periodically evaluates its obligations under Kazakhstan environmental regulations and accrues the respective provision (Note 17).

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 remediation in excess of those amounts for which the provision has been recognised by the Group in these consolidated financial statements.

Note 29. Financial instruments and financial risks factors

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

Compliance with covenants. The Group is subject to certain covenants related primarily to its loans and borrowings. The Group was in compliance with covenants at 31 December 2014 and 31 December 2013.

Credit risk. The Group's financial assets, which are exposed to credit risk, are as follows:

	Notes	31 December 2014	31 December 2013
Cash and cash equivalents	9	13,055,599	5,756,231
Trade and other receivables	10	9,957,085	13,670,510
Loan issued	8	1,048,344	1,048,344
Promissory notes	10	886,675	1,479,532
Available-for-sale investments	8	518,876	582,326
Interest receivable	10	50,042	45,826
Short-term bank deposits	12	-	3,100,000
Total financial assets		**25,516,621**	**25,682,769**

The Group's exposure to credit risk mainly depends on each particular counterparty characteristics. Due to absence of independent credit ratings for wholesale electricity market and other buyers, the Group assesses their solvency based on financial condition, reputation, past experience and existence of past due. The existing receivables are monitored and collection measures are taken regularly. Management believes that the majority of customers whose balances are included in trade receivables comprise a single class of customers of the same wholesale electric power market, which is regulated by OJSC "Administrator of Trade System" (OJSC "ATS").

Management does not believe that the Group is dependent on any particular customer.

As at 31 December 2014 and 31 December 2013 no trade or other receivables were secured by guarantees. Credit risks related to trade and other receivables are systematically reviewed for necessity of creation of impairment provision against trade and other receivables. Trade and other receivables balance netted with trade and other receivables impairment provision represents maximum exposure to credit risks, relating to receivables. Despite the fact that cash collection is subject to influence of different economic factors, management of the Group believes that there is no significant risk of losses exceeding recognized trade and other receivables impairment provision.

The amount of trade and other receivables impairment provision is assessed by management based on the analysis of particular counterparty's solvency, credit history and cash collection, and analysis of future cash flows. As at 31 December 2014 identification of present value of future cash flows was done utilizing discount rates of 13.27% p.a. – 15.52% p.a. (as at 31 December 2013: 13.27% p.a. – 15.52% p.a.), calculated based on the original effective interest rate. Discounting effect is recognized as part of finance expenses (finance income). The Group estimates that discounted amount of trade and other receivables less recognized impairment provision can be collected in cash or settled against trade and other payables.

(in thousands of Russian Roubles)

As at 31 December 2014 the main part of the provision for impairment related to the receivable from CJSC "Mezhdunarodny promyshleny bank" in the amount of RR 1,157,325 thousand (as at 31 December 2013: RR 1,175,993 thousand) and receivable from customers in North Caucasus region of Russia in the amount of RR 3,452,239 thousand (as at 31 December 2013: RR 2,999,634 thousand).

Movements in trade and other receivables impairment provision during 2014 were as follows:

Impairment provision as at 31 December 2013	**6,737,992**
Accrual of impairment provision	1,581,350
Write-off of doubtful trade and other receivables	(103,299)
Reversal of impairment provision	(566,641)
Impairment provision as at 31 December 2014	**7,649,402**

Movements in trade and other receivables impairment provision during 2013 were as follows:

Impairment provision as at 31 December 2012	**4,357,721**
Accrual of impairment provision	2,797,973
Write-off of doubtful trade and other receivables	(60,047)
Reversal of impairment provision	(357,655)
Impairment provision as at 31 December 2013	**6,737,992**

As at 31 December 2014 total amount of overdue trade and other receivables which were not provided for was RR 2,633,760 thousand (as at 31 December 2013: RR 6,176,016 thousand). The reason impairment provision was not created is the absence of non-payment of respective counterparties in the past.

The analysis of trade and other receivables by accrual periods is presented below:

	31 December 2014			
	Nominal value	**Impairment**	**Effect of discounting**	**Carrying amount**
Not overdue	7,350,159	(7,176)	(19,658)	7,323,325
Overdue less than 1 month	1,064,369	(38,338)	-	1,026,031
Overdue from 1 to 3 months	630,007	(103,236)	-	526,771
Overdue from 3 months to 1 year	1,716,479	(706,658)	-	1,009,821
Overdue from 1 year to 3 years	3,860,801	(3,789,684)	-	71,117
Overdue more than 3 years	3,004,330	(3,004,310)	-	20
Total	**17,626,145**	**(7,649,402)**	**(19,658)**	**9,957,085**

	31 December 2013			
	Nominal value	**Impairment**	**Effect of discounting**	**Carrying amount**
Not overdue	7,660,058	(118,681)	(46,883)	7,494,494
Overdue less than 1 month	334,625	(15,271)	-	319,354
Overdue from 1 to 3 months	4,573,987	(43,523)	-	4,530,464
Overdue from 3 months to 1 year	3,048,558	(1,751,309)	-	1,297,249
Overdue from 1 year to 3 years	3,971,936	(3,943,455)	-	28,481
Overdue more than 3 years	866,221	(865,753)	-	468
Total	**20,455,385**	**(6,737,992)**	**(46,883)**	**13,670,510**

Cash is placed in Russian financial institutions which are considered at the time of deposit to have minimal or low risk of default. The Board of Directors of the Company has approved a list of the banks, at which deposits could be placed and rules for such placements. Also the Group continuously considers financial condition, independent agencies ratings, past experience and other factors. The list of the banks with balances and ratings, at which the Group has open current bank accounts and deposits at the reporting date, is presented in Notes 9 and 12.

The Company can accept bank promissory notes from contractors in payment for the delivered electrical energy and power. The Group continuously monitors the financial positon of banks and their ratings assigned by independent agencies, past experience and other factors. Note 10 includes lists of banks with information on the amount of their promissory notes and their ratings at the reporting date.

The credit quality of the loan provided is defined as good due to the established relationship with the counterparty, which is a Gazprom Group entity. The loan was not past due as at 31 December 2014 and

(in thousands of Russian Roubles)

31 December 2013. In respect of available-for-sale financial assets, the Group continuously monitors the financial position, ratings assigned by independent agencies, market price dynamics (if available) and other performance indicators of companies recognized in this category.

As at the reporting date maximum Group's exposure to credit risk equals to carrying amount of each class of financial assets. The Group does not hold any collateral.

Liquidity risk. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. To manage the liquidity risk the Group applies a policy of holding financial assets for which there is a liquid market and that are readily convertible to meet liquidity needs. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2014	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Loans including future principal and interest payments	1,902,776	8,283,888	27,423,593	16,827,527	-	-	-	54,437,784
Finance lease liability	37,023	33,582	29,767	-	-	-	-	100,372
Trade payables	8,735,156	1,564,725	2,663	645,322	44	-	-	10,947,910
Other payables (except for advances received and liabilities for employee compensations)	383,717	366	733	733	733	733	5,088	392,103
Total future payments	**11,058,672**	**9,882,561**	**27,456,756**	**17,473,582**	**777**	**733**	**5,088**	**65,878,169**

31 December 2013	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Loans including future principal and interest payments	1,398,411	1,395,768	6,383,251	32,942,591	-	-	-	42,120,021
Finance lease liability	64,228	37,438	59,593	20,704	-	-	-	181,963
Trade payables	6,497,228	1,034,972	597,855	389,720	132	44	-	8,519,951
Other payables (except for advances received and liabilities for employee compensations)	394,155	7,089	723	723	723	723	5,871	410,007
Total future payments	**8,354,022**	**2,475,267**	**7,041,422**	**33,353,738**	**855**	**767**	**5,871**	**51,231,942**

The Group has the following unutilized bank credit lines:

	31 December 2014	31 December 2013
Fixed interest rate facility*:		
- expiring more than 1 year from the reporting date	18,779,336	20,779,336
Total	**18,779,336**	**20,779,336**

*fixed rate is agreed for every tranche withdrawal.

Interest rate risk. Profit and cash flows from operating activities of the Group are mainly independent from changes in market interest rates. The Group is exposed to changes in interest rates risk only in respect of changes in market value of interest bearing loans and borrowings and interest bearing deposits. 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. Significant interest bearing assets and liabilities of the Group are disclosed in Notes 9, 12, 15 and 19. These assets and liabilities have fixed interest rate and therefore are not exposed to risk of difference between fixed interest rate and market interest rate.

Currency risk. The electricity and heat produced by the Group are sold domestically at prices denominated in Russian Roubles, currency of Russian Federation. Due to that fact, the Group has low foreign currency exchange risk exposure. The Group's financial position, liquidity, its sources of financing, financial performance are largely independent of changes in foreign exchange rate because the Group's activity is planned in the way that all its assets and liabilities should be denominated in domestic currency. Due to these facts potential effect of changes in exchange rate of national currency to other currencies is estimated by the Group as insignificant.

(in thousands of Russian Roubles)

Capital risk management. The following capital requirements have been established for joint stock companies by the legislation of Russian Federation:

- Share capital cannot be lower than 1,000 minimum salaries on the date of company registration;
- If the share capital of the entity is greater than statutory net assets of the entity, such entity must make a decision on the decrease of its share capital to the value not exceeding its net assets or liquidation value;
- If the minimum allowed share capital is greater than statutory net assets of the entity, such entity is subject to liquidation.

As at 31 December 2014 and 31 December 2013, the Group has been in compliance with the above share capital requirements. The Group's objectives when managing capital are to safeguard the Group's ability as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The amount of capital defined on the basis of Company's statutory financial statements that the Group managed as at 31 December 2014 was RR 108,819,570 thousand (as at 31 December 2013: RR 107,135,229 thousand).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on the statutory financial statements as total liabilities divided by total equity multiplied by 1.4. According to the Company's internal regulation the Company's total liabilities / (equity * 1.4) ratio should not exceed 1. The Company satisfied this ratio.

The gearing ratios, calculated on the basis of the Company's statutory financial statements at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	**31 December 2013**
Total liabilities	58,990,411	43,585,375
Equity * 1.4	152,347,398	149,989,321
Gearing ratio, %	**0.39**	**0.29**

Fair values. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(i) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

Financial instruments carried at fair value. Available-for-sale investments are carried on the consolidated statement of financial position at their fair value.

Fair values of available-for-sale investments (LLC "OGK-Investproekt") as at 31 December 2014 were determined based on discounted cash flows from investing and were included in level 3 (as at 31 December 2013 fair value was determined based on comparative market prices from recent transactions and were included in level 2). Fair values of available-for-sale investments (shares of OJSC "RusHydro") as at 31 December 2013 were determined based on quoted market prices and were included in level 1 (as at 31 December 2014 shares of OJSC "RusHydro" absent on the Statement of financial position).

(in thousands of Russian Roubles)

(ii) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	Note	Level 1	Level 2	Level 3	Fair value	Carrying value
31 December 2014						
Financial assets						
Promissory notes	10	-	778,390	-	**778,390**	**886,675**
Trade and other receivables	10	-	-	9,957,085	**9,957,085**	**9,957,085**
Interest receivable	10	-	-	50,042	**50,042**	**50,042**
Long term loan issued	8	-	675,687	-	**675,687**	**1,048,344**
Cash and cash equivalents	9	13,055,550	-	49	**13,055,599**	**13,055,599**
Total financial assets		**13,055,550**	**1,454,077**	**10,007,176**	**24,516,803**	**24,997,745**
Financial liabilities						
Debt (including finance lease liabilities)	15, 19	-	(39,627,384)	-	**(39,627,384)**	**(47,161,065)**
Trade and other payables	18, 20	-	-	(11,121,708)	**(11,121,708)**	**(11,186,033)**
Total financial liabilities		**-**	**(39,627,384)**	**(11,121,708)**	**(50,749,092)**	**(58,347,098)**

	Note	Level 1	Level 2	Level 3	Fair value	Carrying value
31 December 2013						
Financial assets						
Promissory notes	10	-	-	1,479,532	**1,479,532**	**1,479,532**
Trade and other receivables	10	-	-	13,670,510	**13,670,510**	**13,670,510**
Interest receivable	10	-	-	45,826	**45,826**	**45,826**
Long term loan issued	8	-	-	1,048,344	**1,048,344**	**1,048,344**
Cash and cash equivalents	9	2,288,331	3,467,861	39	**5,756,231**	**5,756,231**
Bank deposits	12	-	3,100,000	-	**3,100,000**	**3,100,000**
Total financial assets		**2,288,331**	**6,567,861**	**16,244,251**	**25,100,443**	**25,100,443**
Financial liabilities						
Debt (including finance lease liabilities)	15, 19	-	(34,721,291)	-	**(34,721,291)**	**(34,721,291)**
Trade and other payables	18, 20	-	-	(8,932,601)	**(8,932,601)**	**(8,932,601)**
Total financial liabilities		**-**	**(34,721,291)**	**(8,932,601)**	**(43,653,892)**	**(43,653,892)**

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. The carrying amounts of trade and other receivables approximates their fair values. Cash and cash equivalets are carried at amortised cost which approximates their current fair value.

Liabilities carried at amortised cost. Fair values of financial liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Note 30. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 99,1% of the Group revenue. The Group operates in Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separatly due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Kirishskaya GRES, Novocherkasskaya GRES, Stavropolskaya GRES, Ryazanskaya GRES, Troitskaya GRES, Serovskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue. The main contractor of the Group is OJSC "CFR" which generates 57% of the Group revenue for the year ended 31 December 2014 (for the year ended 31 December 2013: 57%).

(in thousands of Russian Roubles)

Year ended 31 December 2014	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
Revenue	25,205,306	19,566,021	16,429,401	15,637,001	12,849,497
Depreciation of property, plant, equipment	240,294	1,199,554	261,802	114,847	534,483
Segment operating profit / (loss)	6,315,185	4,110,125	624,973	1,426,144	786,558
Capital expenditure*	361,724	169,736	6,876,281	357,314	1,326,817

Year ended 31 December 2014	Troitskaya GRES	Serovskaya GRES	Other operating segments	**Total operating segments**
Revenue	5,345,287	2,964,495	18,041,289	**116,038,297**
Depreciation of property, plant, equipment	702,926	155,581	404,955	**3,614,442**
Segment operating profit / (loss)	(2,140,653)	(322,586)	628,155	**11,427,901**
Capital expenditure*	19,969,543	4,099,706	444,799	**33,605,920**

Year ended 31 December 2013	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
Revenue	23,903,764	20,068,404	14,175,703	13,331,300	14,732,840
Depreciation of property, plant, equipment	217,803	1,194,823	260,437	117,015	773,204
Segment operating profit / (loss)	4,900,061	4,257,939	1,110,662	907,737	1,245,678
Capital expenditure*	134,211	62,387	6,141,074	2,645,792	1,248,381

Year ended 31 December 2013	Troitskaya GRES	Serovskaya GRES	Other operating segments	**Total operating segments**
Revenue	5,772,119	2,899,749	17,091,714	**111,975,593**
Depreciation of property, plant, equipment	686,324	95,355	423,840	**3,768,801**
Segment operating profit / (loss)	(1,168,867)	(225,308)	627,540	**11,655,442**
Capital expenditure*	8,165,957	5,463,553	261,424	**24,122,779**

*Capital expenditure represents additions to property, plant and equipment under RAR, including advances to construction companies and suppliers of property, plant and equipment.

(in thousands of Russian Roubles)

A reconciliation of management financial information prepared in accordance with RAR to IFRS financial information is provided below:

	Year ended 31 December 2014	Year ended 31 December 2013
Segment operating profit	11,427,901	11,655,442
Adjustments, arised from different accounting policy:	(9,156,445)	(456,789)
Finance lease	113,662	165,589
Provision for impairment of trade and other receivables	2,172	2,276
Gain on disposal of assets	(6,949)	(21,914)
Depreciation adjustment	(1,207,155)	(946,107)
Impairment of assets	(8,646,749)	-
Other adjustments	588,574	343,367
Unallocated expenses:	(2,963,254)	(4,324,863)
Provision for impairment of trade and other receivables	(1,016,887)	(2,442,094)
Employee benefits	(686,343)	(598,230)
Rent	(418,903)	(250,127)
Consulting, legal and audit services	(90,320)	(104,560)
Other corporate expenses	(750,801)	(929,852)
Operating (loss) / profit (IFRS)	**(691,798)**	**6,873,790**

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
31 December 2014	4,284,779	21,498,572	28,790,634	3,176,393	13,512,167
31 December 2013	4,163,632	21,626,144	22,779,257	5,866,484	13,140,852

	Troitskaya GRES	Serovskaya GRES	Other operating segments	Total assets
31 December 2014	44,528,768	20,412,493	9,624,076	**145,827,882**
31 December 2013	35,580,191	14,692,145	9,252,974	**127,101,679**

A reconciliation of management financial information to IFRS financial information is provided below:

	31 December 2014	31 December 2013
Total assets for reportable segment	145,827,882	127,101,679
Adjustments, arised from different accounting policy:	7,979,348	12,605,636
Property, plant and equipment adjustment	8,107,995	13,188,849
Deposits for pensions (Note 8)	662,700	683,208
Impairment of trade and other receivables	(7,176)	(9,348)
Discounting of long-term trade and other receivables	(19,658)	(46,883)
Provision for inventory obsolescence	(47,457)	(47,343)
Deferred tax	(124,593)	(440,337)
Discounting of promissory notes	(307,085)	(378,883)
Other adjustments	(285,378)	(343,627)
Unallocated assets	27,557,878	27,578,853
Total assets (IFRS)	**181,365,108**	**167,286,168**

The unallocated assets are the assets which cannot be directly related to the certain operating segment and are also out of the operating segment control for decision making purposes. These assets include intangible assets, short – term and long - term trade receivables (which mainly presented by receivables for sales of electricity and power on the wholesale electric power market), cash in bank, deposits, inventories and items of property, plant and equipment which are subject to the headquarters control.

Management of the Group does not review the information in respect of operating segment's liabilities in order to make a decision about allocation of resources, because of centralisation of significant part of payment transactions.

Note 31. Events after the reporting period

Capacity supply contracts. As per changes in the list of generating units to be used to supply capacity under capacity supply contracts (CSC), adopted by Russian Government decree No.238-r dated 16 February 2015, the list of CSC units of OJSC "OGK-2" was supplemented with units Nos. 6 and 7 (PGU) with the capacity of 180 mW that are expected to start fulfilling the capacity supply obligations on 30 June 2018 and 31 December 2018 respectively. The units are located in the city of Grozny, the Chechen Republic.

Downgrade of the bank's rating. After 31 December 2014 the rating of JSC "Gazprombank" was downgraded to level E+/Negative (Notes 9 and 10).

Director, ZAO «PricewaterhouseCoopers Audit»
T.S. Medvedeva
12 March 2015

49 (forty nine) pages are numbered, bound and sealed.