PJSC Inter RAO

Consolidated financial statements

For the year ended 31 December 2015
with independent auditors' report

Contents

Совершенствуя бизнес,
улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Independent auditors' report

To the shareholders and the Board of Directors of
PJSC Inter RAO

We have audited the accompanying consolidated financial statements of PJSC Inter RAO and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

29 February 2016

Moscow, Russia

Consolidated statement of financial position

(in millions of RUR)

	Note	31 December 2015	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	6	277,565	298,625
Intangible assets	7	12,868	12,514
Investments in associates and joint ventures	8	31,125	34,407
Deferred tax assets	9	4,412	2,236
Available-for-sale financial assets	10	5,865	7,260
Other non-current assets	11	8,721	10,094
Total non-current assets		**340,556**	**365,136**
Current assets			
Inventories	12	15,898	14,903
Accounts receivable and prepayments	13	81,841	81,703
Income tax prepaid		1,925	946
Cash and cash equivalents	14	65,840	75,599
Other current assets	16	19,131	9,154
		184,635	**182,305**
Assets classified as held-for-sale	15	38,048	38,057
Total current assets		**222,683**	**220,362**
Total assets		**563,239**	**585,498**
Equity and liabilities			
Equity			
Share capital	17	293,340	293,340
Treasury shares	17	(56,184)	(56,229)
Share premium	17	69,312	69,312
Hedge reserve	17	(12)	38
Actuarial reserve	17	(91)	(34)
Fair value reserve	17	865	626
Foreign currency translation reserve		7,041	8,422
Retained earnings		48,392	27,426
Total equity attributable to shareholders of the Company		**362,663**	**342,901**
Non-controlling interest		2,705	5,348
Total equity		**365,368**	**348,249**
Non-current liabilities			
Loans and borrowings	19	42,617	64,185
Deferred tax liabilities	9	12,911	15,034
Other non-current liabilities	21	6,032	11,448
Total non-current liabilities		**61,560**	**90,667**
Current liabilities			
Loans and borrowings	19	33,712	42,947
Accounts payable and accrued liabilities	20	95,143	96,836
Other taxes payable	22	6,586	5,872
Income tax payable		870	927
Total current liabilities		**136,311**	**146,582**
Total liabilities		**197,871**	**237,249**
Total equity and liabilities		**563,239**	**585,498**

Chairman of the Management Board — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Palunin D.N.

29 February 2016

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 in Notes 1-34.

Consolidated statement of comprehensive income

(in millions of RUR)

	Note	*For the year* 2015	2014
Revenue	23	805,344	741,101
Other operating income	24	8,655	7,243
Operating expenses, net	25	(788,539)	(728,398)
Operating income		**25,460**	**19,946**
Finance income	26	12,090	5,068
Finance expenses	26	(10,560)	(12,308)
Share of (loss)/profit of associates and joint ventures, net	8	(125)	4,292
Income before income tax		**26,865**	**16,998**
Income tax expense	27	(2,929)	(7,224)
Income for the period		**23,936**	**9,774**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss when specific conditions are met			
Actuarial (loss)/gain, net of tax	17	(66)	261
Gain/(loss) on available-for-sale financial assets, net of tax	10, 17	239	(16)
Net (loss)/gain on hedge instruments, net of tax	17	(48)	92
Exchange (loss)/gain on translation to presentation currency		(1,249)	8,520
Other comprehensive (loss)/income, net of tax		**(1,124)**	**8,857**
Total comprehensive income for the period		**22,812**	**18,631**
Income attributable to:			
Shareholders of the Company		22,715	7,837
Non-controlling interest	33	1,221	1,937
		23,936	**9,774**
Total comprehensive income attributable to:			
Shareholders of the Company		21,466	16,178
Non-controlling interest		1,346	2,453
		22,812	**18,631**
Basic and diluted income per ordinary share for income attributable to the shareholders of the Company	18	**RUR 0.269**	**RUR 0.088**

Chairman of the Management Board — Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer — Palunin D.N.

29 February 2016

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of cash flows

(in millions of RUR)

	Note	For the year 2015	For the year 2014
Operating activities			
Income before income tax		**26,865**	**16,998**
Adjustments to reconcile income before tax to net cash flows from operating activities:			
Depreciation and amortisation	25	22,978	21,224
Provision for impairment of accounts receivable	25	6,193	5,467
Other provisions charge/(release)	12, 20, 25	2,134	(1,251)
Impairment of available-for-sale financial assets and assets classified as held-for-sale	25	19	1,356
Impairment of property, plant and equipment, intangible assets and goodwill	6, 7, 25	14,766	5,194
Share of loss/(profit) of associates and joint ventures	8	125	(4,292)
Loss from electricity derivatives, net	24, 25	305	104
Foreign exchange (gain)/loss, net	26	(2,061)	3,280
Interest income	26	(7,455)	(3,754)
Other finance income	26	(1,425)	(353)
Interest expense	26	10,242	5,310
Other finance expenses	26	318	1,141
Dividend income	26	(1,149)	(961)
Income from sale of available-for-sale financial assets and assets classified as held-for-sale	24	(1,365)	(423)
Put and call option agreement	26	–	2,577
Loss/(gain) from disposal of Group entities, net	5, 8, 24, 25	951	(30)
Other non-cash operations/items		147	479
Operating cash flows before working capital adjustments and income tax paid		**71,588**	**52,066**
Increase in inventories		(870)	(840)
Decrease/(increase) in accounts receivable and prepayments		1,958	(13,031)
Decrease in value added tax recoverable		2,939	1,988
Decrease/(increase) in other current assets		408	(383)
(Decrease)/increase in accounts payable and accrued liabilities		(2,843)	21,174
Increase in taxes other than income tax prepaid/payable, net		648	3,740
Other working capital adjustments		251	70
		74,079	**64,784**
Income tax paid		(7,770)	(4,678)
Net cash flows from operating activities		**66,309**	**60,106**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of cash flows (continued)

(in millions of RUR)

	Note	For the year 2015	For the year 2014
Investing activities			
Proceeds from disposal of property, plant and equipment		185	221
Purchase of property, plant and equipment and intangible assets		(28,773)	(35,980)
Purchase of controlling interest, net of cash acquired	5	94	–
Proceeds from disposal of controlling interest, net of cash disposed	5	8	31
Proceeds from disposal of associate	8	70	–
Proceeds from disposal of available-for-sale financial assets and assets classified as held-for-sale	10, 15, 24	3,285	5,192
Proceeds from repayment of loans issued		385	963
Loans issued		(481)	(870)
Bank deposits placed		(34,300)	(20,166)
Bank deposits returned and proceeds from promissory notes repayment		22,614	15,616
Interest proceeds for bank deposits placed		5,925	2,658
Purchase of bonds		–	(74)
Dividends received		2,117	3,274
Purchase of shares in the associate	8	–	(50)
Cash flows from other investing activities		708	443
Net cash flows used for investing activities		**(28,163)**	**(28,742)**
Financing activities			
Proceeds from loans and borrowings		40,137	82,372
Repayment of loans and borrowings		(73,103)	(43,995)
Repayment of finance leases		(857)	(725)
Interest paid		(9,296)	(3,853)
Dividends paid		(318)	(226)
Purchase of non-controlling interest in subsidiaries	5	(5,411)	–
Disposal of non-controlling interest in subsidiary	5	–	100
Execution of the call and put option agreement	17	–	(31,374)
Proceeds from treasury shares sold		–	7
Net cash flows (used for)/from financing activities		**(48,848)**	**2,306**
Effect of exchange rate fluctuations on cash and cash equivalents		943	2,047
Net (decrease)/increase in cash and cash equivalents		**(9,759)**	**35,717**
Cash and cash equivalents at the beginning of the period		75,599	39,882
Cash and cash equivalents at the end of the period	14	**65,840**	**75,599**

Chairman of the Management Board Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer Palunin D.N.

29 February 2016

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of changes in equity

(in millions of RUR)

		Attributable to shareholders of the Company										
	Note	***Share capital***	***Treasury shares***	***Share premium***	***Foreign currency translation reserve***	***Fair value reserve***	***Hedge reserve***	***Actuarial reserve***	***Retained earnings***	***Total***	***Non-controlling interest***	***Total equity***
Balance at 1 January 2014		**293,340**	**(41,363)**	**69,312**	**413**	**642**	**(64)**	**(280)**	**9,522**	**331,522**	**3,067**	**334,589**
Total comprehensive income/(loss) for the year ended 31 December 2014		**–**	**–**	**–**	**8,009**	**(16)**	**102**	**246**	**7,837**	**16,178**	**2,453**	**18,631**
Dividends to shareholders	17	–	–	–	–	–	–	–	–	**–**	(274)	**(274)**
Undrawn dividends returned	17	–	–	–	–	–	–	–	12	**12**	27	**39**
Disposal of non-controlling interest in subsidiaries	5	–	–	–	–	–	–	–	25	**25**	75	**100**
Sale of treasury shares		–	6	–	–	–	–	–	–	**6**	–	**6**
Put and call option agreement	17	–	(14,872)	–	–	–	–	–	10,030	**(4,842)**	–	**(4,842)**
Balance at 31 December 2014		**293,340**	**(56,229)**	**69,312**	**8,422**	**626**	**38**	**(34)**	**27,426**	**342,901**	**5,348**	**348,249**
Balance at 1 January 2015		**293,340**	**(56,229)**	**69,312**	**8,422**	**626**	**38**	**(34)**	**27,426**	**342,901**	**5,348**	**348,249**
Total comprehensive (loss)/income for the year ended 31 December 2015		**–**	**–**	**–**	**(1,381)**	**239**	**(50)**	**(57)**	**22,715**	**21,466**	**1,346**	**22,812**
Dividends to shareholders	17	–	–	–	–	–	–	–	(91)	**(91)**	(429)	**(520)**
Undrawn dividends returned	17	–	–	–	–	–	–	–	109	**109**	5	**114**
Acquisition of controlling interest in subsidiary	5	–	–	–	–	–	–	–	–	**–**	50	**50**
Acquisition of non-controlling interest in subsidiaries	5	–	–	–	–	–	–	–	(1,796)	**(1,796)**	(3,615)	**(5,411)**
Sale of treasury shares	17	–	45	–	–	–	–	–	29	**74**	–	**74**
Balance at 31 December 2015		**293,340**	**(56,184)**	**69,312**	**7,041**	**865**	**(12)**	**(91)**	**48,392**	**362,663**	**2,705**	**365,368**

Chairman of the Management Board Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer Palunin D.N.

29 February 2016

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

(in millions of RUR)

1. The Group and its operations

Establishment of the Group

Public Joint Stock Company “Inter RAO UES” (the “Parent Company” or the “Company” or PJSC “Inter RAO”) is incorporated and domiciled in the Russian Federation and whose shares are publicly traded.

The Russian Federation is the ultimate controlling party of PJSC Inter RAO and has a controlling interest in the Company of over 50%. The main state shareholders of the Parent Company as at 31 December 2015 are JSC ROSNEFTEGAZ (26.37%) and FGC UES Group (14.07%).

The Company has controlling interests in a number of subsidiaries operating in different regions of the Russian Federation and abroad (the Company and its subsidiaries collectively are designated as the “Group”). The Group’s principal subsidiaries as at 31 December 2015 are presented in Note 33.

The Group is engaged in the following business activities:

- electricity production, supply and distribution;
- export and import of electricity;
- sales of electricity purchased abroad and on the domestic market;
- engineering services;
- energy effectiveness research and development.

The Company’s registered address is Bolshaya Pirogovskaya street, building 27-2, 119435, Moscow, the Russian Federation.

The Group’s business environment

The governments of the countries where the Group entities operate directly affect the Group's operations through regulation with respect to energy generation, purchases and sales. Governmental economic, social and other policies in these countries could have a material effect on the operations of the Group.

The Russian Federation, Georgia, Armenia, Moldavia (including Transdniestria Republic), Kazakhstan, Turkey, Lithuania, Latvia and Estonia have been experiencing significant (albeit different) political and economic changes that have affected, and may continue to affect, the activities of the Group entities operating in this environment. Consequently, operations in these jurisdictions involve risks that typically do not exist in other mature markets. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In 2014 and in 2015, the economy of the Russian Federation, primary jurisdiction of the Group, was negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as series of unilateral restrictive political and economic measures imposed on the Russian Federation by several countries. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth in the Russian Federation, which could negatively affect the Group’s future financial position, results of operations and business prospects.

The accompanying consolidated financial statements reflect management’s assessment of the impact of the business environment on the operating results and the financial position of the Group in the countries where the Group entities operate. Management is unable to predict all developments which could have an impact on the utilities sector and the wider economy in these countries and consequently, what effect, if any, they could have on the financial position of the Group. Therefore, future business environment may differ from management’s assessment.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (the IASB).

Each entity of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the relevant statutory accounting requirements. These financial statements are based on the statutory records and adjusted and reclassified for the purpose of fair presentation in accordance with IFRS.

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as discussed in Note 3.

(in millions of RUR)

2. Basis of preparation (continued)

(b) Functional and presentation currency

The national currencies of the countries where the Group entities operate are usually the individual company's functional currencies, because they generally reflect the economic substance of the underlying transactions and circumstances of those companies.

The Group applies judgment in determination of the functional currencies of certain Group entities. The functional currency determination influences foreign exchange gain/losses recognised in profit and loss and translation differences recognised in other comprehensive income.

The consolidated financial statements are presented in millions of the Russian roubles ("RUR"). The main part of the Group is represented by entities operating in the Russian Federation having RUR as their functional currency. All values are rounded to the nearest million, except when otherwise indicated.

(c) Seasonality

Demand for electricity is to some extent influenced by the season of the year. Revenue is usually higher in the period from October to March than in other months of the year. This seasonality does not impact revenue or cost recognition policies of the Group.

(d) Going concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern.

(e) Critical accounting estimates and judgments

The Group makes estimates and judgments that affect the reported amounts of assets and liabilities within the next reporting period. 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. The judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next reporting period include:

Provision for impairment of accounts receivable

The provision for impairment of accounts receivable is based on the Group's assessment of the collectability of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

If the Group determines that no objective evidence exists that impairment has occurred for an individually assessed accounts receivable, whether significant or not, it includes the accounts receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management to the extent of which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently (see Note 13).

Useful lives of property, plant and equipment

The estimation of useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and physical environment in which the asset operates. Changes in any of these conditions or estimates may result in adjustments in depreciation rates. Land has an unlimited useful life and therefore is not depreciated.

(in millions of RUR)

2. Basis of preparation (continued)

(e) Critical accounting estimates and judgments (continued)

Estimation of fair value

The Group estimates the fair value of an asset or liability, using assumptions that market participants would use when pricing the asset or liability, assuming that market participants are acting in their own economic interests. In developing those assumptions the Group identifies the common characteristics that distinguish the market participants, having considered the factors specific to the following: (a) an asset or liability; (b) the principal (or most advantageous) market for the asset or liability; and (c) market participants with whom the entity would enter into a transaction in that market. The estimation of the fair value of the acquired businesses and financial instruments where there is not the principal (or most advantageous) market for assets or liabilities is a matter of management judgment based on the application of relevant valuation models. In determining the fair value the valuation models that are based on management best estimates of future cash flows, current market conditions and the choice of analogue the judgment areas (include considerations of inputs such as liquidity risk, credit risk and volatility) are frequently used. Changes in any of these conditions may result in significant adjustment to the fair value of financial instruments and acquired businesses.

Restoration provision

Changes in the measurement of an existing restoration provision that result from changes in the estimated timing or amount of the outflows of economic benefits, or from changes in the discount rate adjust the cost of the related asset and liability. Estimating the amounts and timing of those obligations settlement requires management judgment. This judgment is based on cost and engineering studies using currently available technology and on current environmental regulations. The restoration provision is also subject to change because of updates in laws and regulations, and their interpretation by management.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted as arm's length transaction, for similar assets or at observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the management forecast for the next twenty years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Tax contingencies

The Group entities operate in a number of tax jurisdictions across Europe and the CIS. Where 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 provided for in the consolidated financial statements. Tax contingencies are disclosed in Note 31.

Deferred income tax asset recognition

The Group does not recognise certain deferred income tax assets in respect of certain Group entities located in the Russian Federation, Netherlands, Armenia and Kazakhstan as management believes that it is not probable that the future taxable profit will be available in the respective Group entities against which the Group can utilise the benefits. Unrecognised deferred income tax assets are disclosed in Note 9 (b).

(f) Changes in presentation

Segment information

Starting from 1 January 2015, the Group changed the calculation of EBITDA of the operating segments as chief operating decision-maker (further "CODM") decided to analyse the effectiveness of operating segments based on their main business activities excluding non-operating expenditures and income (Note 4). The comparative information was revised accordingly.

(in millions of RUR)

2. Basis of preparation (continued)

(f) Changes in presentation (continued)

Other provisions

Since 1 January 2015, the management of Company decided to change presentation of charge and release of other provision within Operating expenses in the consolidated statement of comprehensive income. In case of the negative outcome the initially accrued provision should be released through other provision within Operating expenses and the appropriate expenses within Operating expenses should be recorded. The comparative information for the year, ended 31 December 2014 for the total amount of RUR 2,244 million was revised correspondingly (Note 4, 25).

Reclassifications

Since 1 January 2015, the management of Company decided to reclassify trade receivables under cession agreements recognised within other accounts receivable to trade accounts receivable. Therefore the comparative information for the year ended 31 December 2014 of long and short-term other accounts receivable and long and short-term term trade accounts receivable in the amount of RUR 112 million and RUR 482 million was revised correspondingly.

Since 1 January 2015, the management of Company decided to reclassify several types of operating expenses. The reclassification of comparative information for the year, ended 31 December 2014 between other materials for production purposes in the amount of RUR (2,549) million, repairs and maintenance in the amount of RUR 3,993 million and other operating expenses in the amount of RUR (1,444) million was revised correspondingly.

3. Summary of significant accounting policies

Significant accounting policies applied in the preparation of the consolidated statements are described below. These accounting policies have been consistently applied. In order to enhance the relevance of the financial statements to users, management has changed the presentation and aggregation of certain disclosures, including comparative information.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee, and;
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to non-controlling interest, even if this results in non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control is presumed to exist when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities. Relevant activities are activities of the investee that significantly affect the investee's return. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interest

Non-controlling interest represents the non-controlling shareholders' proportionate share of the equity and results of operations of the Group's subsidiaries. This has been calculated based upon the non-controlling interests' ownership percentage of these subsidiaries. The non-controlling interest has been disclosed as a part of equity.

The Group applies a policy of treating transactions with non-controlling shareholders as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of a subsidiary is recorded in equity. Differences between consideration received and carrying value of non-controlling interests sold are also recorded in equity.

The Group derecognises non-controlling interest if non-controlling shareholders have received a mandatory offer to purchase their shares. The difference between the amount of the liability recognised in the consolidated statement of financial position over the carrying value of the derecognised non-controlling interests is charged to retained earnings.

Associates entities and joint ventures

Associates are those entities over which the Group has significant influence, the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Equity method

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Principles of consolidation (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown in the statement of profit or loss separately from operating profit and represents profit or loss after tax of the associate or joint venture (include those subsidiaries) to the extent of Group's share in the associate or joint venture for the reporting period. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains in transactions among the Group entities are eliminated; 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.

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the investees; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date on fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The acquisitions of entities under common control are accounted for using the predecessor accounting method. In accordance with this method, the consolidated financial statements of the Group are prepared to reflect the combination as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, or, if occurred later, from the date when the entities had been under common control. Under the predecessor accounting method the assets and liabilities of the combining entities are accounted for at the carrying values determined by the Group in its consolidated financial statements. Comparative information is presented as if the entities had always been consolidated, but not earlier than the common control over these entities was established.

All other acquisitions are accounted for by applying the acquisition method.

Foreign currency

Foreign currency transactions and translation

Transactions in foreign currencies are measured in the respective functional currencies of the Group entities at exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured to the entities' functional currencies at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are remeasured to the functional currency at the exchange rate at the date that the fair value was determined. Other non-monetary assets and liabilities measured in a foreign currency are remeasured to the functional currency at the exchange rate at the date of operation. Foreign currency differences arising on remeasurement are recognised in profit and loss.

The effect of exchange rate changes on fair value of available-for-sale financial assets, when they are considered non-monetary, is included in the consolidated statement of other comprehensive income.

Assets and liabilities of the Company and its subsidiaries are translated into the Group's presentation currency at the exchange rate prevailing at the end of the reporting period. Profit and loss items of the Company and its subsidiaries are translated at the average exchange rate for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in this case income and expenses are translated at the rate on the dates of the transactions). Components of equity and other comprehensive income are translated at the historical rate with the exception of equity opening balances at the date of transition to IFRS which were translated at the exchange rate at the date of transition. Exchange differences arising on the translation of the net assets of the Company and its subsidiaries are recognised as translation differences in other comprehensive income and included in the foreign currency translation reserve (FCTR) in equity.

Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. The cost of self-constructed assets includes cost of materials, direct labour and a proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment.

Renewals and improvements are capitalised. The costs of regular repair and maintenance are expensed as incurred. Gains and losses arising from the disposal of property, plant and equipment are included in profit and loss as incurred.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised to the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognised in profit and 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 fulfilling of the Group's social responsibilities are expensed as incurred.

Prepayments for capital construction and acquisition of property, plant and equipment are included into construction in progress.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation commences from the time an asset is completed and ready for use. The useful lives are reviewed at each financial year-end and, if expectations differ from previous estimates, changes are recognised prospectively. The useful lives, in years, of assets by type of facility are as follows:

Type of facility	***Useful life, years***
Buildings	25-72
Hydro engineering structures	15-33
Transmission facilities and equipment	6-33
Thermal networks	5-19
Power equipment	5-25
Other equipment and fixtures	6-30
Other structures	2-25
Other fixed assets	3-20

Intangible assets

The Group classifies its intangible assets in the following categories:

- goodwill;
- software;
- other intangible assets (which include: capitalised cost to obtain status of "guarantee supplier", costs of projects in the development stage and others).

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of investment over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill in respect of subsidiaries is recognised as a separate asset within intangible assets in the consolidated statement of financial position. Goodwill in respect of associates and joint ventures is included in the carrying amount of the investees.

The excess of the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree over the cost of investment is recognised in profit and loss. For associates and joint ventures such excess is recognised in profit and loss as a part of the share of profit/loss of an associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses and is the subject for impairment test at each reporting period or when an indication of impairment loss exists.

Concession arrangements

Concession arrangements are the contracts when the Group constructs and upgrades infrastructure used to provide services, which it operates and maintains for a specified period of time. These arrangements include operating of a power plant and infrastructure under service concession arrangement for their entire useful life.

The Group applies the financial asset model when the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Intangible assets (continued)

The Group manages concession arrangements which include the construction of power plant, infrastructure and other facilities followed by a period in which the Group maintains and services the infrastructure. This may also include, in a secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative the infrastructure and the service to be provided.

For fulfilling those obligations, the Group is entitled to receive consideration from the grantor. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

- a construction component;
- a service element for operating and maintenance services performed.

The right to consideration gives rise to a financial asset.

Revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.

Software and other intangible assets

Other intangible assets that are acquired or internally created (as part of the cost of development projects) by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

The estimated useful lives of intangible assets are in the range of 2-10 years for software and other intangibles assets.

Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Internally generated intangible assets

Costs of projects on development stage are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits and demonstrated all of the following: (a) the technical feasibility of completing the intangible asset so that it can be available for use or sale; (b) the Group's intention to complete intangible asset and use or sell it; (c) the Group's ability to use or sell the intangible asset; (d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; (e) the Group's ability to measure the expenditure attributable to the intangible asset during its development reliably.

Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's consolidated statement of financial position. The total lease payments are charged to profit or loss on a straight-line basis over the lease term.

Assets classified as held for sale (HFS)

Non-current assets and disposal groups are classified as HFS if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable within a year from the date of classification, the asset or disposal group is available for immediate sale in its present condition and management has committed to the sale. The extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as HFS if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). Non-current assets and disposal groups classified as HFS are measured at the lower of their carrying amount and fair value less costs to sell.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Inventories

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

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Provision is made for obsolete or slow-moving inventories, taking into account their expected use and future net realisable value.

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 an original maturity of three months or less from the date of acquisition and are subject to insignificant changes in value.

Prepayments

Prepayments made by the Group are carried at cost less provision for impairment. Prepayments 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. Other prepayments are recognised in profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of prepayment is written down as impairment loss in profit and loss.

Prepayments made by the Group are classified as non-current assets when the goods or services relating to the prepayment are to be delivered beyond one year period or when they relate to acquisition of property, plant and equipment. Where such prepayments relate to construction contracts, revenue is recognised when the outcome of the contract can be estimated reliably, by reference to the stage of completion of the contract activity.

Value added tax on purchases and sales

Value added tax (VAT) related to sales is payable to tax authorities either upon revenue recognition or at the time of collection of receivables from customers, depending on local statutory regulations in respective jurisdictions in which the Group entities operate. Tax authorities permit settlement of VAT on a net basis. VAT related to sales and purchases which has not been settled at the end of the reporting period (deferred VAT) is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as current asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor's balance, including VAT. Related deferred VAT liability is maintained on the consolidated statement of financial position until the debt is recognised for tax purposes. Changes of VAT recoverable related to the purchases of property, plant and equipment and investment property is recognised in the consolidated statement of cash flows in operating activities.

Financial instruments

Financial instruments include cash and cash equivalents, available-for-sale financial assets, derivatives, hedges, accounts receivable, accounts payable and loans and borrowings. Particular recognition and measurement methods are disclosed in the individual policy statements associated with each item. Financial instruments are represented by derivatives and non-derivative financial instruments.

Sale and repurchase agreements

Equity instruments sold under sale and repurchase agreements ("repos") are retained in the consolidated statement of financial position. The difference between sale and repurchase price in treated as other operating income/(expenses) through profit and loss in the consolidated statement of comprehensive income.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are means to transfer risk inherent in the basic instruments, between the parties of the contract, without transfer of the underlying instruments.

As a part of trading activities, the Group has the following derivative financial instruments:

(a) interest rate swap;

(b) currency swap;

(c) foreign currency forward and option contract: foreign currency forwards and options are initially recognised at fair value on the date a forward/option contract is entered into and are subsequently remeasured at their fair value. Fair value gains and losses on those derivatives are presented as part of other comprehensive income to the extent of effective cash flow hedges and as a part of profit or loss to the extent of ineffective cash flow hedges;

(d) electricity futures and forward contracts: electricity derivatives are initially recognised at fair value on the date a contract in entered into and are subsequently remeasured at their fair value. Fair value gains and losses on those derivatives are presented as part of other comprehensive income to the extent of effective cash flow hedges and as a part of profit or loss to the extent of ineffective cash flow hedges or speculative transactions;

(e) shares option (call or put): options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. Options purchased by the Group provide the Group with the opportunity to purchase (call options) the underlying asset at an agreed-upon value either on or before the expiration of the option.

Compound financial instruments

Compound (hybrid) financial instrument is divided in accordance with the terms of the contract in the following parts: financial liability/financial asset and equity component. When initial carrying amount of a compound financial instrument is allocated to its equity and asset/liability components, the equity component is assigned to the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the asset/liability component. The sum of the carrying amounts assigned to the asset/liability and equity components at initial recognition equals to the fair value that would be ascribed to the instrument as a whole. The Group presents the asset/liability and equity components separately in its consolidated statement of financial position. On initial recognition, the fair value of the asset/liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status which provide for substantially the same cash flows, on the same terms, but without the conversion option. Changes in the fair value of an equity instrument are not recognised in the consolidated financial statements. On conversion of a convertible instrument at maturity, the Group derecognises the asset/liability component and recognises it in equity. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity.

The method of recognising of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);

(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Group also documents its assessment, both at the time of the hedges' inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments are disclosed in Note 16, 17, 20, 21. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Non derivative financial assets

The Group classifies its financial assets in the following categories:

(a) financial assets at fair value through profit or loss;

(b) available-for-sale financial assets;

(c) held-to-maturity financial assets.

Management determines the classification of its financial assets at initial recognition and re-assesses this designation thereafter.

(a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term period or if so designated by management. Assets in this category are classified as current assets if they are expected to be realised within 12 months from the end of the reporting period. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included within the profit and loss in the consolidated statement of comprehensive income in the period in which they arise.

(b) Available-for-sale financial assets (AFS)

Investments intended to be held for an indefinite period of time are classified as AFS; they are classified as other non-current assets unless management has an intention to hold the investment for less than 12 months from the end of the reporting period. Management determines the appropriate categorisation, current or non-current distinction, at the time of purchase and re-assesses it based on maturity at the end of each reporting period.

AFS include non-marketable securities, which are not publicly traded. For these investments, fair value is estimated using a variety of methods including those based on their earnings and those based on the discounted value of estimated future cash flows. In assessing the fair value, management makes assumptions that are based on market conditions existing at the end of each reporting period. Investments in equity securities that are not quoted on a stock exchange and which fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

"Regular way" purchases and sales of investments are initially measured at fair value plus transaction costs and recognised on the settlement date, which is the date when the investment is delivered to or by the Group. AFS are subsequently carried at fair value except for those investments which fair value cannot be reliably estimated. In this case the investments are carried at cost less impairment provision. Gains and losses arising from changes in the fair value are recognised in other comprehensive income and included in the fair value reserve in equity in the period in which they arise. Realised gains and losses from the disposal of AFS are included in profit and loss in the period in which they arise.

(c) Held-to-maturity financial assets

Financial assets with fixed terms and cash flows are classified as held-to-maturity financial assets, provided management intends to keep them for their full terms and is in a position to do so. Management determines the appropriate classification for its investments on their acquisition dates. Held-to-maturity financial assets are carried at amortised cost based on the effective interest method, net of provision for impairment losses. Interest earned on held-to-maturity financial assets is recognised as interest income. All purchases and sales made in accordance with standard market conditions for held-to-maturity financial assets are recognised at the date of settlement.

Loans and accounts receivable

Accounts receivable are recorded inclusive of value added taxes (VAT) and are initially recorded at the amount receivable from the debtor. Trade and other receivables are adjusted for provision made for impairment of these receivables. Such provision for doubtful debtors is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the contract. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest adjusted for the credit risk of debtors at the date of origination of the receivables.

Debt is recognised initially at its fair value net of transaction costs incurred. Fair value is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price. In subsequent periods, debt is stated at amortised cost using the effective yield method; any difference between the amount at initial recognition and the redemption amount is recognised in profit and loss as interest adjustment over the period of the debt obligation existence.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the reporting date.

Fair value of financial instruments

The Group measures financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments, which are measured at amortised cost, are disclosed in Note 19 and Note 28 (e).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The principal market (or the most advantageous market in the absence of principle market) must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

To achieve greater consistency and comparability of fair value measurements and related disclosures the fair value hierarchy is followed up to define fair value estimation methods and apply relevant observable inputs and minimise the use of unobservable inputs.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. The unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities in the principal market for the asset or liability, at the close of business on the reporting date, with no adjustment made for the transaction costs.

For assets and liabilities where there is no principal (or most advantageous) market, respective fair value is determined using appropriate valuation techniques. Valuation techniques include discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances can be used to measure at fair value. It is possible to use mid-market pricing conventions that are used by market participants as anexpedient for fair value measurement within a bid-ask spread. Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that is tested against prices or inputs to actual market transactions and using the Group’s best estimate of the most appropriate internal model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (Day 1 profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Fair value of financial instruments (continued)

For discounted cash flow techniques, estimated future cash flows and discount rates are based on management's best estimates of assumptions that market participants would use when pricing the asset or liability. Cash flows and discount rates used take into account only the factors attributable to the asset or liability being measured. The use of different pricing models and assumptions could produce materially different estimates of fair values.

Fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit plus interest accrued. Fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at prevailing market rates for similar instruments at the recognition date.

If fair value cannot be measured reliably, assets and liabilities are measured at cost. An analysis of fair values of financial instruments and further details as of how they are measured are provided in Note 28(e).

Where fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from the principal (or most advantageous) markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity risk, credit risk, and model inputs such as volatility and discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flows analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in these assumptions affect fair value of financial instruments.

Impairment

Held-to-maturity financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the current effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit and loss.

AFS

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of AFS. 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 is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss. The last is reclassified from fair value reserve to profit or loss. Impairment losses on equity investments classified as AFS are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Impairment (continued)

Non-financial assets

Carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from those of other assets and groups. Impairment losses are recognised in the consolidated statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss previously recognised in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a substantial positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or rights to cash flows from the assets otherwise expired or (b) the Group has transferred rights to cash flows from 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 does not retain a control. Control is retained if the counterparty does not have practical ability to sell the asset in its entirety to an unrelated third party without imposition of additional restrictions on sale.

Loans and borrowings

Loans and borrowings are recognised initially at their fair value which is determined using prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods, loans and borrowings are recognised at amortised cost, using effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised in profit and loss as an interest adjustment over the period of the instrument.

Employee benefits

Pension and post-employment benefits

In the normal course of business the Group contributes to various governmental pension schemes on behalf of its employees. Mandatory contributions to governmental pension schemes are expensed in profit and loss when incurred. Costs associated with discretionary pensions and other post-employment benefits are included in wages, benefits and payroll taxes in profit and loss.

Short-term benefits

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

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

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Employee benefits (continued)

Defined benefit plans

The Company operates defined benefit plans that cover the majority of its employees. Benefit plans define the amount of pension benefit that an employee will receive on or after 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 plans is the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit obligations are calculated using the projected unit credit method.

Present value of defined benefit obligations are determined by discounting the estimated future cash outflows using interest rate of government bonds that are denominated in the currency of benefits payment and associated with the operation of the plans, and that have maturity terms approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions of post-employment benefits are recognised in other comprehensive income at the date of occurrence. Other amounts, such as current service cost, any past service cost and gain or loss on settlement, and net interest on net defined benefit liability (asset) are recognised in profit or loss. Remeasurements of other long term benefits are also recognised in profit or loss.

Share-based payment transactions

The share option programme allows the Group's employees to acquire shares of the Company. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the American type options is measured based on the binomial model while fair value of European type options is measured based on the Black-Scholes model taking into account terms and conditions in the options were granted.

Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit and loss on a straight-line basis over the expected lives of the related assets.

Provisions

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

Environmental liabilities

Liabilities for environmental remediation are recorded where there is a present obligation (legal or construction), payment is probable and reliable estimates can be made.

Restoration provision

Restoration provision is recognised if it presents a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The corresponding asset is depreciated through profit and loss in the consolidated statement of comprehensive income on a straight-line basis during the asset's useful life. Restoration provision is calculated based on expected costs and time required to restore land occupied by ash dumps and mines at the end of their useful life to avoid their damaging effect on the environment. Change in provision related to revision of costs, discount rate or other assumptions is accounted for prospectively starting from the date of revision of these estimates.

Shareholder's equity

Dividends

Dividends declared are recognised as a liability and deducted from equity if they are approved by shareholders. Dividends are disclosed when they are declared after the end of the reporting period, but before the consolidated financial statements are authorised for issue.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Shareholder’s equity (continued)

Earnings per share

Earnings per share is determined by dividing profit/(loss) attributable to holders of ordinary shares by weighted average number of ordinary shares outstanding during the reporting period, excluding the effect of average number of ordinary shares purchased by the Group (treasury shares).

Diluted earnings per share are calculated by adjusting weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

Share premium

Share premium is determined as a difference between the issue cost of shares and their nominal value at the moment of issue of shares. Share premium is translated into reporting currency using the historical rate as at the date of the transaction and recognised in the consolidated statement of changes in equity.

Treasury shares

The cost of acquisition of the Company’s equity instruments by the Company or its subsidiaries, 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.

Treasury shares are recognised at their nominal value, and any differences between nominal value and consideration transferred, including any directly attributable incremental costs, net of income taxes, are recognised within retained earnings.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects is included in equity attributable to the Company’s shareholders. Disposal of treasury shares is recognised at nominal value, and any difference between nominal value and consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is recognised in retained earnings. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured, regardless of when the payment is made. Revenue from sale of electricity, capacity and heat is recognised in profit and loss on delivery of electricity, capacity and heat. Where applicable, revenue is based on rates and related restrictions established by law and regulating authorities. The regulatory mechanisms differ from country to country.

Revenue from rendering of construction contracts services is recognised in proportion to the stage of completion of the services. Costs incurred in connection with future activity for a contract are excluded from contract costs in determining the stage of completion. They are presented as a part of amounts due to or due from customers for contract work. Revenue amounts are presented exclusive of VAT.

The Group presents electricity purchases entered into to support delivery of non-regulated bilateral contracts net of revenue.

Social expenditure

To the extent that the Group’s contributions to social programmes benefit the community at large and are not restricted to the Group’s employees, they are recognised in profit and loss as incurred.

Research expenditure

Research expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period, even if the asset recognition criteria are subsequently met.

Finance income

Finance income comprises interest income on funds invested, accretion income, dividend income and foreign currency gains, net. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the dividends are declared and an inflow of economic benefits is probable.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

Finance expenses

Finance expenses primarily include interest expense on borrowings, unwinding of discount on provisions and foreign currency losses, net. All borrowing costs are recognised in the consolidated statement of comprehensive income using the effective interest method unless directly attributable to acquisition of a qualifying asset. Commission fee for opening of credit lines is included into interest expense.

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except it relates to items recognised in other comprehensive income or directly in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Parent Company is able to control the timing of their reversal and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset for deductible temporary differences and tax losses carry forward is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that related tax benefit will be realised.

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

New accounting pronouncements and revised standards

The accounting policies adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2015 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of new amendments of the following standards became effective for the Group's consolidated financial statements at 31 December 2015, noted below:

a) The amendments of the following standards became effective for the Group's consolidated financial statements as of 1 January 2015:

- *Defined Benefit Plans: Employee Contributions (amendments to IAS 19)* requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.
- *IFRS 2 Share-based Payment.* The improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. This amendment did not have any effect on the consolidated financial statements.
- *IFRS 3 Business Combinations.* The amendment is applied prospectively and clarifies that joint arrangements are outside the Scope of IFRS 3 and that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.
- *IFRS 8 Operating Segment.* The amendment is applied retrospectively and clarifies that: an entity must disclose the judgements made by management in applying the aggregation criteria, the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. This amendment did not have any effect on the consolidated financial statements.
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.* The amendment is applied retrospectively and clarifies the revaluation model statements. This is not relevant to the Group, since the cost model is applied.
- *IAS 24 Related Party Disclosures.* The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

New accounting pronouncements and revised standards (continued)

- *IFRS 13 Fair Value Measurement.* The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.
- *IAS 40 Investment Property.* The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not have any effect on the consolidated financial statements.

b) The following IFRSs and amendments to existing IFRSs that have been published are not yet effective:

The following IFRS became effective for the Group's consolidated financial statements from 1 January 2016:

- *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.
- *Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.* Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.
- *IFRS 7 Financial Instruments: Disclosures*
  - *Servicing contracts.* The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
  - *Applicability of the amendments to IFRS 7 to condensed interim financial statements.* The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.
- *IAS 19 Employee Benefits.* The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.
- *IAS 34 Interim Financial Reporting.* The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

(in millions of RUR)

3. Summary of significant accounting policies (continued)

New accounting pronouncements and revised standards (continued)

- *Amendments to IAS 1 Disclosure Initiative.* The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
  - the materiality requirements in IAS 1;
  - that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
  - that entities have flexibility as to the order in which they present the notes to financial statements;
  - that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments are not expected to have any impact on the Group.

There are other improvements, pronouncements and amendments that are not relevant to the current Group's operations.

The following IFRS became effective for the Group's consolidated financial statements from 1 January 2018:

- *IFRS 9 Financial Instruments.* In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.
- *IFRS 15 Revenue from Contracts with Customers.* IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted.

The Group is considering the implication of the new standards and the impact on the Group's consolidates financial statement and plans to adopt new standards when they become effective.

4. Segment information

Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and in assessing performance. The Management Board of the Parent Company has been determined as the CODM; the operating segment has been defined as a legal entity or a particular business activity of a legal entity. The Management Board analyses the effectiveness of the operating segments based on IFRS financial reporting.

The Management Board considers the Group activities from both geographical (by countries of the Group entities' jurisdiction) and business perspective (generation, trading, supply, distribution, engineering and other) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

The following reporting segments have been identified based on the requirements of IFRS 8 *Operating Segments* (taking into consideration aggregation criteria as well as quantitative thresholds on revenue and EBITDA):

- **Supply in the Russian Federation** (represented by PJSC Mosenergosbyt (Group of entities), JSC PSK, PJSC Tambov Energy Retailing Company, PJSC Saratovenergo, JSC Altayenergosbyt, LLC INTER RAO Orlovskii Energosbyt, JSC Industrial Energetics, LLC RN-Energo, PJSC Tomskenergosbyt, LLC Omsk Energy Retailing Company (since March 2014), JSC EIRTS LO (since 1 January 2015), LLC RT − Energy Trading (equity accounted investee).

(in millions of RUR)

4. Segment information (continued)

- **Generation in the Russian Federation** represented by the following reporting sub-segments:
  - ***Electric Power Generation*** represented by:
    - *INTER RAO − Electricity Generation Group* (represented by Group Inter RAO − Electric Power Plants, including NVGRES Holding Limited and CJSC Nizhnevartovskaya GRES (equity accounted investees); and
  - ***Thermal Power Generation*** represented by:
    - *TGC-11* (represented by JSC TGC-11, JSC Tomsk generation, JSC TomskRTS and JSC OmskRTS);
    - *Bashkir Generation* (represented by Group Bashkir Generation Company).
- **Trading in the Russian Federation and Europe** (represented by the trading activities of the Parent Company, RAO Nordic Oy, AB INTER RAO Lietuva, SIA INTER RAO Latvia, INTER RAO Eesti OU, Inter Green Renewables and Trading AB, JSC Eastern Energy Company, LLC Payments implementation center (since April 2014) and SOO IRL POLSKA (since January 2015).
- **Foreign assets** represented by the following reporting sub-segments:
  - ***Georgia*** (represented by JSC Telasi, LLC Mtkvari Energy, JSC Khramhesi I and JSC Khramhesi II);
  - ***Armenia*** (represented by CJSC Elektricheskiye seti Armenii, JSC RazTES (equity accounted investees from 30 October 2015 − Note 5);
  - ***Moldavia*** (represented by CJSC Moldavskaya GRES);
  - ***Kazakhstan*** (represented by JSC Stantsiya Ekibastuzskaya GRES-2 (equity accounted investee) and LLP INTER RAO Central Asia);
  - ***Turkey*** (represented by Group Trakya and Inter Rao Turkey Energy Holding A.S.).
- **Engineering in the Russian Federation** (represented by LLC INTER RAO Engineering, LLC Quartz Novie Tekhnologii (equity accounted investee), LLC Quartz Group, LLC Inter RAO − WorleyParsons (equity accounted investee till 1 April 2014), LLC Power Efficiency Centre INTER RAO UES (equity accounted investee), LLC INTER RAO − Export, Energy beyond borders Non-for-profit Fund and LLC TCC Energy beyond borders).
- Other.

The CODM evaluates performance of the operating segments based on EBITDA, which is calculated as profit/(loss) for the period before finance income and finance expenses; income tax expense; depreciation and amortisation of property, plant and equipment, investment property and intangible assets; impairment charge/(release) of property, plant and equipment and investment property; impairment of goodwill and other intangible assets; impairment of available-for-sale financial assets and assets classified as held-for-sale; provisions for doubtful debts and for inventory obsolescence; other provisions; share in profit/(loss) of associates and effects from acquisition and disposal of Group entities; income/(loss) from purchase and sale of available-for-sale financial assets and assets classified as held for sale; and charity expenses, income/(loss) from disposal of non-financial assets and some other included in Other item within the reconciliation between EBITDA of the reporting segments and net income/(loss) for the reporting period. The Group's definition of EBITDA may differ from that of other companies. Information about depreciation and amortisation of property, plant and equipment and intangible assets, interest income and interest expenses is disclosed in segment information as it is regularly reviewed by the CODM.

Revenue of each segment is mainly represented by sales of electricity and capacity and heat-power allocated to the reporting segments.

The CODM analyses leverage of the Group's subsidiaries, joint ventures (equity accounted investees) on a regular basis; loans and borrowings are allocated to the reporting segments excluding inter-segment balances.

Joint ventures (equity accounted investees) are reviewed by the CODM in terms of the Group's share in their profit/(loss) and loan and borrowings.

"Unallocated and Eliminations" includes elimination of transactions among the reporting segments ("Eliminations") and management expenses, interest income and interest expense of the Parent Company as well as loans and borrowings, obtained by the Parent Company or other subsidiaries, which cannot be allocated to a specific reporting segment on a reasonable basis ("Unallocated").

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the year ended 31 December 2015:

	Supply	*Generation*			*Trading*	*Foreign assets*					*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO − Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Total revenue	**477,884**	**149,130**	**28,565**	**50,719**	**80,525**	**18,357**	**9,543**	**4,660**	**27**	**20,306**	**8,533**	**4,893**	**(47,798)**	**805,344**
Revenue from external customers	476,528	120,797	25,104	46,300	79,158	18,357	9,543	4,660	27	20,306	3,906	658	−	**805,344**
Inter-segment revenue	1,356	28,333	3,461	4,419	1,367	−	−	−	−	−	4,627	4,235	(47,798)	**−**
Operating expenses, including:														
Purchased electricity and capacity	(255,680)	(7,725)	(2,700)	(3,553)	(63,847)	(9,308)	(1,436)	−	(16)	−	−	(28)	38,832	**(305,461)**
Transmission fees	(190,923)	−	−	(13)	(5,387)	(851)	(827)	(16)	(11)	−	−	−	5	**(198,023)**
Fuel expenses	−	(79,481)	(13,644)	(28,901)	−	(1,715)	(3,065)	(84)	−	(16,622)	−	−	2,365	**(141,147)**
Share in profit/(loss) of joint ventures	93	2,339	−	−	−	459	−	−	(3,617)	−	46	(2)	−	**(682)**
EBITDA	**12,662**	**36,052**	**3,188**	**6,481**	**9,635**	**3,698**	**1,881**	**2,692**	**(3,612)**	**2,631**	**(417)**	**1,603**	**(5,369)**	**71,125**
Depreciation and amortisation	(1,579)	(11,707)	(1,778)	(3,334)	(60)	(708)	(554)	(389)	(3)	(1,488)	(189)	(771)	(418)	**(22,978)**
Interest income	3,140	1,515	5	346	321	40	44	−	2	27	233	483	1,299	**7,455**
Interest expenses	(892)	(6,119)	(1,403)	(216)	(291)	(660)	(140)	(280)	−	(505)	(80)	(6,828)	7,172	**(10,242)**

(in millions of RUR)

4. Segment information (continued)

Below is the performance of the operating segments for the year ended 31 December 2014:

	Supply	*Generation*			*Trading*	*Foreign assets*					*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO − Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Total revenue	**450,864**	**147,492**	**27,240**	**49,400**	**56,679**	**14,687**	**6,803**	**6,929**	**109**	**14,708**	**6,746**	**3,773**	**(44,329)**	**741,101**
Revenue from external customers	450,030	120,944	24,408	44,642	55,178	14,687	6,803	6,929	109	14,708	2,070	593	–	**741,101**
Inter-segment revenue	834	26,548	2,832	4,758	1,501	–	–	–	–	–	4,676	3,180	(44,329)	**–**
Operating expenses, including:														
Purchased electricity and capacity	(246,815)	(7,837)	(2,493)	(3,635)	(46,434)	(7,465)	(720)	–	(64)	–	–	(152)	36,403	**(279,212)**
Transmission fees	(178,911)	–	–	(44)	(3,991)	(629)	(555)	(45)	(40)	–	–	(1)	–	**(184,216)**
Fuel expenses	–	(83,908)	(12,743)	(28,869)	–	(2,418)	(1,930)	(4,074)	–	(12,796)	–	–	1,736	**(145,002)**
Share in profit/(loss) of joint ventures	19	2,325	–	–	–	–	–	–	1,101	–	(10)	178	–	**3,613**
EBITDA	**9,423**	**29,052**	**3,230**	**7,223**	**4,575**	**1,094**	**1,670**	**1,692**	**1,108**	**801**	**(287)**	**986**	**(4,245)**	**56,322**
Depreciation and amortisation	(1,311)	(10,539)	(1,655)	(4,434)	(56)	(603)	(425)	(146)	(3)	(937)	(161)	(517)	(437)	**(21,224)**
Interest income	1,393	458	–	78	124	24	63	–	–	9	216	487	902	**3,754**
Interest expenses	(504)	(2,627)	(895)	(85)	(111)	(626)	(176)	(221)	–	(338)	(74)	(1,204)	1,551	**(5,310)**

(in millions of RUR)

4. Segment information (continued)

As at 31 December 2015

	Supply	*Generation*			*Trading*	*Foreign assets*					*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO − Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Loans and borrowings, including:	**(1,498)**	**(42,673)**	**(11,344)**	**(1,271)**	**(1,762)**	**(5,500)**	**(1,401)**	**−**	**(10,180)**	**(11,542)**	**(334)**	**(1,615)**	**(1,119)**	**(90,239)**
Share in loans and borrowings of joint ventures	(90)	−	−	−	−	(5,500)	−	−	(10,180)	−	(333)	(197)	2,390	**(13,910)**

As at 31 December 2014

	Supply	*Generation*			*Trading*	*Foreign assets*					*Engineering*			
		The Russian Federation												
		Electric Power Generation	*Thermal Power Generation*											
	The Russian Federation	*Inter RAO − Electricity Generation Group*	*TGC-11*	*Bashkir Generation*	*The Russian Federation and Europe*	*Armenia*	*Georgia*	*Moldavia*	*Kazakhstan*	*Turkey*	*The Russian Federation*	*Other*	*Unallocated and eliminations*	*Total*
Loans and borrowings, including:	**(967)**	**(58,699)**	**(8,182)**	**(437)**	**(1,671)**	**(7,416)**	**(1,659)**	**−**	**(9,119)**	**(10,100)**	**(740)**	**(1,834)**	**(16,399)**	**(117,223)**
Share in loans and borrowings of joint ventures	−	−	−	−	−	−	−	−	(9,119)	−	(736)	(386)	150	**(10,091)**

(in millions of RUR)

4. Segment information (continued)

The reconciliation between EBITDA of the reporting segments and net profit for the reporting period in the consolidated statement of comprehensive income is presented below:

	For the year ended	
	31 December 2015	***31 December 2014***
EBITDA of the reportable segments	**71,125**	**56,322**
Depreciation and amortisation (Note 25)	(22,978)	(21,224)
Interest income (Note 26)	7,455	3,754
Interest expenses (Note 26)	(10,242)	(5,310)
Put and call option agreements (Note 26)	–	(2,577)
Foreign currency exchange gain/(loss), net (Note 26)	2,061	(3,280)
Other finance income (Note 26)	2,256	173
Provisions charge, including: (Note 25)	(23,112)	(10,766)
impairment of property, plant and equipment	*(14,766)*	*(4,850)*
impairment of available-for-sale financial assets	*(19)*	*(1,176)*
impairment of assets classified as held-for-sale	*–*	*(180)*
other provisions (charge)/release (Note 2f)	*(2,134)*	*1,251*
impairment of account receivables	*(6,193)*	*(5,467)*
impairment of goodwill	*–*	*(344)*
(Loss)/gain from disposal of Group entities (Note 24, 25)	(951)	30
Income from sale of available-for-sale and held-for-sale assets	1,365	423
Other operating expense, net (Note 2f)	(671)	(1,226)
Share of profit of associates (Note 8)	557	679
Income tax expense (Note 27)	(2,929)	(7,224)
Profit for the reporting period in the consolidated statement of comprehensive income	**23,936**	**9,774**

The reconciliation between loans and borrowings of the reportable segments and loans and borrowings for the reporting period in the consolidated statement of financial position is presented below:

	As at 31 December 2015	***As at 31 December 2014***
Loans and borrowings of the reportable segments	**(90,239)**	**(117,223)**
Less:		
Share in loans and borrowings of joint ventures	13,910	10,091
Loans and borrowings in the consolidated statement of financial position	**(76,329)**	**(107,132)**

(in millions of RUR)

4. Segment information (continued)

Information about geographical areas

The Management Board also considers revenue of the Group entities generated in their countries of jurisdiction and abroad as well as non-current assets (property, plant and equipment, investment property, investments in associates and jointly controlled entities and intangible assets, including goodwill) based on location of assets.

	For the year ended 31 December 2015			*For the year ended 31 December 2014*		
	Revenue in the Group entity's jurisdiction[1]	*Revenue in countries other than Group entity's jurisdiction*	*Total revenue based on location of customers*	*Revenue in the Group entity's jurisdiction*	*Revenue in countries other than Group entity's jurisdiction*	*Total revenue based on location of customers*
Russian Federation	701,757	192	**701,949**	663,696	167	**663,863**
Turkey	20,306	–	**20,306**	14,708	–	**14,708**
Armenia	18,031	–	**18,031**	14,416	–	**14,416**
Georgia	9,543	1,997	**11,540**	6,803	1,778	**8,581**
China	–	10,409	**10,409**	–	6,705	**6,705**
Lithuania	10,064	–	**10,064**	9,501	–	**9,501**
Finland	7,073	306	**7,379**	5,961	370	**6,331**
Belarus	–	7,320	**7,320**	–	2,871	**2,871**
Ukraine	–	5,606	**5,606**	–	426	**426**
Moldavia (incl. Transdniestria Republic)	4,542	118	**4,660**	736	6,193	**6,929**
Kazakhstan	27	3,845	**3,872**	109	3,153	**3,262**
Mongolia	–	1,094	**1,094**	–	1,134	**1,134**
Estonia	435	582	**1,017**	324	–	**324**
Latvia	819	–	**819**	1,088	445	**1,533**
Other	702	576	**1,278**	132	385	**517**
Total	**773,299**	**32,045**	**805,344**	**717,474**	**23,627**	**741,101**

	Total non-current assets based on location of assets[2]	
	As at 31 December 2015	*As at 31 December 2014*
Russian Federation	298,393	312,851
Georgia	9,710	9,188
Turkey	6,236	6,184
Moldavia (incl. Transdniestria Republic)	4,012	2,619
Lithuania	1,664	1,569
Armenia	–	13,093
Other	1,543	42
Total	**321,558**	**345,546**

1 Revenues are attributable to countries on the basis of the customer's location.

2 Total non-current assets based on location of assets excludes deferred tax assets, available-for-sale financial assets and other non-current assets.

(in millions of RUR)

5. Acquisitions and disposals

Acquisition of non-controlling interest in PJSC Mosenergosbyt

In June 2014 the Group has decreased its control in the share capital of one of its subsidiary as a result of the additional issue of shares in one of the subsidiaries of PJSC Mosenergosbyt (Group of companies). An increase of non-controlling interest in the amount of RUR 100 million was recognised in the consolidated statement of changes in equity.

As at 31 December 2014 the Group's share in PJSC Mosenergosbyt was 50.92%.

In April 2015, the Group increased its ownership in PJSC Mosenergosbyt by acquisition of 23.98% of ordinary shares from third parties for the total cash consideration of RUR 2,710 million. As a result the Group increased its share from 50.92% to 74.90%. The effect of acquisition of non-controlling interest of RUR 1,939 million was recognised in the consolidated statement of changes in equity.

On 23 June 2015 the Group announced a public offer to acquire ordinary shares of PJSC Mosenergosbyt held by non-controlling shareholders. The offer price was set at RUB 0.4 per one ordinary share. As at 31 December 2015 the Group acquired 19.09% for the total cash consideration of RUR 2,157 million, so the Group's share in PJSC Mosenergosbyt further increased from 74.90% to 93.99%. The effect of acquisition of non-controlling interest of RUR 1,437 million was recognised in the consolidated statement of changes in equity. The Group has anymore no legal obligation to repurchase shares of PJSC Mosenergosbyt.

Acquisition of non-controlling interest in PJSC Tomskenergosbyt

During the year ended 31 December 2015 the Group purchased additional 30.24% of the ordinary shares of PJSC Tomskenergosbyt, for the cash consideration of RUR 544 million. The Group's share in PJSC Tomskenergosbyt increased from 59.18% to 89.42%. The effect of acquisition of non-controlling interest of RUR 239 million was recognised in the consolidated statement of changes in equity.

Disposal of controlling interest in CJSC Electricheskiye seti Armenii and JSC RazTES

In October 2015 and December 2015 the Group has sold the 50% share of its investments in the subsidiaries located in Republic of Armenia: CJSC Elektricheskiye seti Armenii and JSC RazTES for the cash consideration of USD 16.5 million (RUR 1,102 million) to "Tashir" Group, so the Group's share in these entities decreased from 100% to 50%.

Carrying value of the net assets of the Group's share in CJSC Elektricheskiye seti Armenii and JSC RazTES at the date of disposal of controlling interest amounted to RUR 3,951 million. The carrying values of disposed assets and liabilities were as follows:

	Carrying values
Property, plant and equipment	14,477
Intangible assets	110
Accounts receivable	5,054
Inventory	743
Cash and cash equivalents	1,094
Other current assets	187
Loans and borrowings	(9,846)
Deferred tax liabilities	(294)
Accounts payable and accrued charges	(7,481)
Taxes payable	(93)
Carrying value of net assets disposed	**3,951**
Foreign currency translation reserve disposed	**(851)**
Fair value of investment in joint-ventures (75%)	1,527
Disposal of 25% of investment in joint ventures	(663)
Loss from disposal of Group entities	(1,134)
Total consideration received	1,102
Total cash and cash equivalents disposed	(1,094)
Total cash proceeds from disposal	**8**

(in millions of RUR)

5. Acquisitions and disposals (continued)

Disposal of controlling interest in CJSC Electricheskiye seti Armenii and JSC RazTES (continued)

As a result of disposal from 30 October 2015 the Group has accounted these entities as the joint ventures in accordance with the shareholders agreement between the Group and "Tashir" Group (Note 8). Fair value of the 75% share in investment in joint-ventures at the date of disposal of controlling interest amounted to RUR 1,527 million and the carrying value of the additionally disposed 25% share in the investment in joint-ventures was RUR 663 million.

The total cash consideration received was RUR 1,102 million. The net cash proceeds from the disposal of RUR 8 million was recognised in the consolidated statement of cash flow as the cash flow from investing activities.

The loss from disposal of RUR 1,134 million was recognised in the consolidated statement of comprehensive income within Loss from disposal of Group entities, net (Note 25).

Other acquisitions and disposals

During the year ended 31 December 2015 the Group purchased additional 2% of the ordinary shares of the associate, JSC EIRTS LO, for the cash consideration of RUR 2 million. As a result the Group increased its share in the entity's share capital from 49% to 51% and obtained the control over the entity. The fair value of net assets acquired was RUR 102 million, including cash and cash equivalents of RUR 94 million. As a result of this acquisition the non-controlling interest in the amount of RUR 50 million was recognised in the consolidated statement of changes in equity.

In December 2015 the Group disposed the 82.84% of ordinary shares of JSC Stend. The Group contributed these shares in exchange for an equity interest in the associate LLC IC Gas-Turbine Technologies within the 3rd stage of investment agreement (Note 8). The loss on this transaction in amount of RUR 129 million was recognised in the consolidated statement of comprehensive income within loss from disposal of Group entities, net (Note 25).

During the year ended 31 December 2015 the Group liquidated a number of individually insignificant subsidiaries. The gain from the liquidation of RUR 24 million was recognised in the consolidated statement of comprehensive income within loss from disposal of Group entities, net (for the year ended 31 December 2014: RUR 30 million) (Note 24, 25).

(in millions of RUR)

6. Property, plant and equipment

	Land and buildings	*Infra-structure assets*	*Plant and equipment*	*Other*	*Const-ruction in progress*	*Total*
Cost						
Balance at 31 December 2013	**92,843**	**83,095**	**187,713**	**7,814**	**79,855**	**451,320**
Reclassification	(61)	19	25	19	(2)	**–**
Additions	3	6	3	11	31,684	**31,707**
Disposals	(406)	(399)	(847)	(185)	(349)	**(2,186)**
Transfers	9,555	10,811	41,459	644	(62,469)	**–**
Transfer (to)/from other balance accounts	177	(47)	43	220	(2,945)	**(2,552)**
Disposal of controlling interest	–	–	(1)	(11)	–	**(12)**
Translation difference	4,915	12,229	12,400	1,117	717	**31,378**
Balance at 31 December 2014	**107,026**	**105,714**	**240,795**	**9,629**	**46,491**	**509,655**
Including finance leases	*–*	*236*	*1,265*	*1,705*	*530*	***3,736***
Balance at 31 December 2014	**107,026**	**105,714**	**240,795**	**9,629**	**46,491**	**509,655**
Reclassification	204	(5,204)	5,019	10	(29)	**–**
Additions	5	523	62	7	26,427	**27,024**
Disposals	(297)	(304)	(2,122)	(114)	(585)	**(3,422)**
Transfers	1,110	5,062	15,673	606	(22,451)	**–**
Transfer (to)/from other balance accounts	(19)	(42)	(53)	(2)	51	**(65)**
Acquisition of controlling interest	–	–	3	–	–	**3**
Disposal of controlling interest	(4,042)	(26,940)	(22,950)	(1,946)	(1,042)	**(56,920)**
Translation difference	2,275	3,928	5,603	386	303	**12,495**
Balance at 31 December 2015	**106,262**	**82,737**	**242,030**	**8,576**	**49,165**	**488,770**
Including finance leases	*546*	*227*	*1,189*	*1,705*	*–*	***3,667***
Depreciation and impairment						
Balance at 31 December 2013	**(28,252)**	**(35,339)**	**(96,583)**	**(2,999)**	**(2,358)**	**(165,531)**
Reclassification	22	(16)	(6)	–	–	**–**
Depreciation charge	(2,383)	(3,803)	(12,253)	(876)	–	**(19,315)**
Impairment loss charge	(581)	(579)	(1,937)	(13)	(1,792)	**(4,902)**
Impairment loss reversal	–	52	–	–	–	**52**
Disposals	21	143	722	108	2	**996**
Transfers	(76)	(289)	(649)	(6)	1,020	**–**
Transfer (to)/from other balance accounts	(141)	(13)	(125)	(214)	405	**(88)**
Disposal of controlling interest	–	–	1	11	–	**12**
Translation difference	(3,840)	(8,519)	(8,980)	(771)	(144)	**(22,254)**
Balance at 31 December 2014	**(35,230)**	**(48,363)**	**(119,810)**	**(4,760)**	**(2,867)**	**(211,030)**
Including finance leases	*–*	*(236)*	*(1,264)*	*(270)*	*–*	***(1,770)***
Balance at 31 December 2014	**(35,230)**	**(48,363)**	**(119,810)**	**(4,760)**	**(2,867)**	**(211,030)**
Reclassification	(59)	836	(766)	(11)	–	**–**
Depreciation charge	(2,682)	(3,906)	(12,853)	(885)	–	**(20,326)**
Impairment loss charge	(138)	(674)	(716)	(5)	(13,247)	**(14,780)**
Impairment loss reversal	–	10	–	–	4	**14**
Disposals	85	274	1,574	99	288	**2,320**
Transfers	(1)	(280)	(1,549)	–	1,830	**–**
Disposal of controlling interest	2,731	21,498	16,693	1,386	2	**42,310**
Translation difference	(1,859)	(3,136)	(4,333)	(297)	(88)	**(9,713)**
Balance at 31 December 2015	**(37,153)**	**(33,741)**	**(121,760)**	**(4,473)**	**(14,078)**	**(211,205)**
Including finance leases	*(17)*	*(226)*	*(1,189)*	*(477)*	*–*	***(1,909)***
Net book value						
Balance at 31 December 2013	**64,591**	**47,756**	**91,130**	**4,815**	**77,497**	**285,789**
Balance at 31 December 2014	**71,796**	**57,351**	**120,985**	**4,869**	**43,624**	**298,625**
Balance at 31 December 2015	**69,109**	**48,996**	**120,270**	**4,103**	**35,087**	**277,565**

The category land and buildings includes land in the amount of RUR 660 million (31 December 2014: RUR 671 million).

(in millions of RUR)

6. Property, plant and equipment (continued)

Construction in progress is represented by property, plant and equipment that is not yet ready for operation and advances to suppliers of property, plant and equipment. Such advances amounted to RUR 3,334 million as at 31 December 2015 (31 December 2014: RUR 5,671 million).

Interest capitalised (capitalisation rate is 16.37% during the year ended 31 December 2015) amounted to RUR 1,166 million (the year ended 31 December 2014: RUR 587 million).

(a) Impairment

The Group performed the impairment tests of property, plant and equipment by the cash generating units and the material impairment charges and reversals included in the Consolidated statement of comprehensive income in the line “Operating expenses” are discussed below:

Verkhnetagilskaya GRES (separate power plant included into the operating segment − “Generation in the Russian Federation”)

The impairment for the year ended 31 December 2015 in the amount of RUR 14,776 million was recognised after the impairment test as at 31 December 2015 due to unfavourable change in estimates of capacity tariffs and rise in the cost of construction of new capacity. The recoverable amount was measured as value in use using the discount rate of 14.1% as at 31 December 2015.

Various other minor impairment charges and reversals in the net amount of RUR 10 million gain were recognised during the year ended 31 December 2015.

During the year ended 31 December 2014 the Group recognised impairment loss, net of reversal, in the total amount of RUR 4,850 million in respect of Cherepetskaya GRES (RUR 4,895 million) and various other minor impairment charges and reversals in the net amount of RUR 45 million gain.

(in millions of RUR)

7. Intangible assets

	Goodwill	*Software*	*Other*	*Total*
Cost				
Balance at 31 December 2013	**3,112**	**2,805**	**8,378**	**14,295**
Reclassification	–	12	(6)	**6**
Additions	–	1,212	159	**1,371**
Disposals	–	(248)	(36)	**(284)**
Translation difference	871	189	4,006	**5,066**
Balance at 31 December 2014	**3,983**	**3,970**	**12,501**	**20,454**
Balance at 31 December 2014	**3,983**	**3,970**	**12,501**	**20,454**
Additions	–	1,092	266	**1,358**
Disposals	–	(251)	(12)	**(263)**
Transfer from other balance accounts	–	(249)	(11)	**(260)**
Disposal of controlling interest	–	(321)	–	**(321)**
Translation difference	387	63	2,762	**3,212**
Balance at 31 December 2015	**4,370**	**4,304**	**15,506**	**24,180**
Amortisation and impairment				
Balance at 31 December 2013	**(1,179)**	**(1,574)**	**(1,759)**	**(4,512)**
Reclassification	–	(7)	1	**(6)**
Amortisation charge	–	(648)	(1,261)	**(1,909)**
Impairment losses	(344)	–	–	**(344)**
Disposals	–	259	5	**264**
Translation difference	(165)	(117)	(1,151)	**(1,433)**
Balance at 31 December 2014	**(1,688)**	**(2,087)**	**(4,165)**	**(7,940)**
Balance at 31 December 2014	**(1,688)**	**(2,087)**	**(4,165)**	**(7,940)**
Amortisation charge	–	(747)	(1,905)	**(2,652)**
Disposals	–	245	10	**255**
Transfer to other balance accounts	–	102	5	**107**
Disposal of controlling interest	–	211	–	**211**
Translation difference	(74)	(40)	(1,179)	**(1,293)**
Balance at 31 December 2015	**(1,762)**	**(2,316)**	**(7,234)**	**(11,312)**
Net book value				
At 31 December 2013	**1,933**	**1,231**	**6,619**	**9,783**
At 31 December 2014	**2,295**	**1,883**	**8,336**	**12,514**
At 31 December 2015	**2,608**	**1,988**	**8,272**	**12,868**

Amortisation charge is included in operating expenses in the consolidated statement of comprehensive income.

31 December 2015

AB INTER RAO Lietuva

As at 31 December 2015 the Group carried out an impairment test for goodwill related to acquisition of AB INTER RAO Lietuva. For the purpose of impairment testing goodwill is allocated to AB INTER RAO Lietuva as an individual cash-generating unit in the amount of RUR 2,196 million. The recoverable amount was measured as value in use. The impairment test was based on the following key assumptions:

- According to electricity demand long-term projections till year 2034 expected conservative supply from AB INTER RAO Lietuva not less than 2015 year level of 3.3 GWth, after that the terminal value of cash flow estimated by Gordons approximation.
- Volume of deliveries is assumed to provide average gross margin of 6.2%, as the above mentioned volume allows AB INTER RAO Lietuva to carry out electricity sales in peak periods, when higher profitability is achieved.
- The discount factor used for the impairment test performed by management was 8.2% for cash-flows estimations in presentation currency as at 31 December 2015.

Based on the discounted cash flow model, management concluded that goodwill for AB INTER RAO Lietuva is not impaired as of 31 December 2015.

(in millions of RUR)

7. Intangible assets (continued)

31 December 2015 (continued)

JSC Saint-Petersburg Sale company (JSC PSK)

As at 1 April 2014 the Group completed the reorganisation of one of JSC Saint-Petersburg Sale company (JSC PSK) subsidiaries in the form of merger with JSC PSK. As a result, goodwill which arose on the acquisition of that subsidiary, was fully impaired in the consolidated statement of comprehensive income for the year ended 31 December 2014 in the amount of RUR 344 million.

Other

Included in other intangible assets RUR 6,227 million (USD 85 million) represents carrying value of identifiable intangible assets of Trakya Elektrik Uretim ve Ticaret A.S acquired in a business combination in December 2012 (31 December 2014: RUR 6,178 million or USD 110 million). This intangible asset represents the Group's right to operate the electricity power plant facilities in accordance with the Buy-Operate-Transfer ("BOT") agreement. As at 31 December 2015 the remaining intangible assets' useful life was 4 years.

Included in other intangible assets RUR 623 million represents capitalised cost to obtain status of "guarantee supplier" acquired in December 2013 (31 December 2014: RUR 748 million). This intangible assets represent the right of LLC INTER RAO Orlovskii energosbit and JSC PSK to perform functions of guaranteed supplier on the territory of Orel and Omsk regions of the Russian Federation. As at 31 December 2015 the remaining intangible assets' useful life was 5 years.

Included in other intangible assets RUR 286 million (31 December 2014: RUR 359 million) represents capitalised cost to obtain status of "guarantee supplier" recognised on the acquisition of a subsidiary by one of the Group's entity. As at 31 December 2015 other intangible assets' remaining useful life was 4 years.

8. Investments in associates and joint ventures

Details of the associates and joint ventures, together with movements in the carrying values of these investments, are set at below:

			Voting share		
	Status	***Country***	***31 December 2015***	***31 December 2014***	***31 December 2013***
NVGRES Holding Limited	Joint venture	The Russian Federation	75.00%	75.00%	75.00%
CJSC Nizhnevartovskaya GRES	Joint venture	The Russian Federation	75.00%	75.00%	75.00%
JSC Stantsiya Ekibastuzskaya GRES-2	Joint venture	The Republic of Kazakhstan	50.00%	50.00%	50.00%
LLC Kvarz Noviye Technologii	Joint venture	The Russian Federation	50.10%	50.10%	50.10%
JSC Kambarata HPP-1	Joint venture	The Kyrgyz Republic	50.00%	50.00%	50.00%
LLC Power Efficiency Centre INTER RAO UES	Joint venture	The Russian Federation	50.00%	50.00%	50.00%
LLC InterRAO-WorleyParsons	Joint venture	The Russian Federation	–	–	51.00%
SOOO ENERGOCONNECT	Joint venture	Belorussia	50.00%	50.00%	50.00%
JSC INTER RAO LED-Systems	Joint venture	The Russian Federation	–	35.17%	35.17%
LLC RT – Energy Trading	Joint venture	The Russian Federation	50.00%	50.00%	50.00%
Inter RAO GenCo B.V.	Joint venture	The Netherlands	–	50.00%	–
LLC Cosy house	Joint venture	The Russian Federation	50.00%	50.00%	–
LLC National Data Centers	Joint venture	The Russian Federation	50.00%	–	–
CJSC Elektricheskiye seti Armenii	Joint venture	Armenia	50.00%	–	–
JSC RazTES	Joint venture	Armenia	50.00%	–	–
UAB Alproka	Associate	Lithuania	49.99%	49.99%	49.99%
RUS Gas Turbines Holding B.V.	Associate	The Netherlands	25.00%	25.00%	25.00%
JSC Kaskad	Associate	The Russian Federation	25.00%	25.00%	25.00%
LLC IC Gas-Turbine Technologies	Associate	The Russian Federation	52.95%	53.94%	45.27%
LLC RCASM	Associate	The Russian Federation	–	30.00%	–
JSC EIRTS LO	Associate	The Russian Federation	–	49.00%	–

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

	Joint ventures (note 8 (a))					*Associates (note 8 (b))*		
	NVGRES Holding Limited	***JSC Stantsiya Ekibastuzskaya GRES-2***	***CJSC Elektricheskiye seti Armenii and JSC RazTES***	***JSC INTER RAO LED-Systems***	***Other joint ventures***	***RUS Gas Turbines Holding B.V.***	***Other associates***	***Total***
Carrying value at 31 December 2013	**17,736**	**8,230**	**–**	**519**	**777**	**1,118**	**245**	**28,625**
Additions	–	–	–	–	208	–	50	**258**
Disposals	–	–	–	–	(9)	–	–	**(9)**
Unrealised gain	–	–	–	–	25	–	–	**25**
Share of profit/(loss) after tax	2,325	1,101	–	(74)	225	422	192	**4,191**
Change in ownership structure	–	–	–	36	–	–	65	**101**
Recognised actuarial gain and past service cost	23	–	–	–	–	–	–	**23**
Dividends received	(2,454)	(275)	–	–	(56)	–	(6)	**(2,791)**
Translation difference	–	3,970	–	–	11	–	3	**3,984**
Carrying value at 31 December 2014	**17,630**	**13,026**	**–**	**481**	**1,181**	**1,540**	**549**	**34,407**
Carrying value at 31 December 2014	**17,630**	**13,026**	**–**	**481**	**1,181**	**1,540**	**549**	**34,407**
Additions	–	–	1,527	–	–	–	–	**1,527**
Disposals	–	–	(663)	(229)	–	–	(50)	**(942)**
Unrealised gain/(loss)	–	–	–	7	(17)	–	–	**(10)**
Share of profit/(loss) after tax	2,339	(3,617)	459	(53)	167	338	236	**(131)**
Change in ownership structure	–	–	–	23	–	–	(17)	**6**
Recognised actuarial loss and past service cost	1	1	–	–	–	–	–	**2**
Dividends received	(319)	–	–	–	(176)	–	(5)	**(500)**
Reclassification	–	–	–	(229)	–	–	–	**(229)**
Translation difference	–	(3,062)	57	–	–	–	–	**(3,005)**
Carrying value at 31 December 2015	**19,651**	**6,348**	**1,380**	**–**	**1,155**	**1,878**	**713**	**31,125**

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

(a) Joint ventures

NVGRES Holding Limited and CJSC Nizhnevartovskaya GRES

The Group holds a 75% interest in NVGRES Holding Limited, including its wholly-owned subsidiary CJSC Nizhnevartovskaya GRES accounted for using the equity method. In accordance with the terms of the Shareholders Agreement between the Group and OJSC Rosneft, control over NVGRES Holding Limited is jointly exercised. The following is the summarised financial information in respect of NVGRES Holding Limited and its subsidiary CJSC Nizhnevartovskaya GRES:

	31 December 2015	***31 December 2014***
Non-current assets	20,566	21,692
Current assets (including cash and cash equivalents − 31 December 2015: RUR 6,568 million, 31 December 2014: RUR 2,094 million)	8,462	4,004
Non-current liabilities, including:	(1,743)	(1,210)
Non-current financial liabilities (excluding trade and other payables and provisions)	−	−
Current liabilities, including:	(1,084)	(979)
Current financial liabilities (excluding trade and other payables and provisions)	−	−
Equity	**26,201**	**23,507**
Proportion of the Group's ownership	75.00%	75.00%
Carrying value of the investment	**19,651**	**17,630**

	Year ended 31 December 2015	***Year ended 31 December 2014***
Revenue	18,671	16,056
Depreciation and amortisation	(1,163)	(1,004)
Interest income	561	167
Interest expense	(10)	(4)
Income tax expense	(667)	(307)
Profit from continuing operations	3,119	3,100
Other comprehensive income	1	30
Total comprehensive income for the period	**3,120**	**3,130**
Proportion of the Group's ownership	75.00%	75.00%
Group's share of total comprehensive income	**2,340**	**2,348**

JSC Stantsiya Ekibastuzskaya GRES-2

The Group holds a 50% interest in a joint venture − JSC Stantsiya Ekibastuzskaya GRES-2 accounted for using the equity method. The Group exercises joint control over JSC Stantsiya Ekibastuzskaya GRES-2 with JSC "Samruk-Energo", which is ultimately controlled by the Government of the Republic of Kazakhstan.

The following is the summarised financial information in respect of JSC Stantsiya Ekibastuzskaya GRES-2:

	31 December 2015	***31 December 2014***
Non-current assets	32,365	44,366
Current assets (including cash and cash equivalents − 31 December 2015: RUR 330 million, 31 December 2014: RUR 207 million)	2,191	3,289
Non-current liabilities, including:	(19,470)	(18,285)
Non-current financial liabilities (excluding trade and other payables and provisions)	*(19,364)*	*(16,460)*
Current liabilities, including:	(2,391)	(3,319)
Current financial liabilities (excluding trade and other payables and provisions)	*(1,643)*	*(2,703)*
Equity	**12,695**	**26,051**
Proportion of the Group's ownership	50.00%	50.00%
Carrying value of the investment	**6,348**	**13,026**

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

(a) Joint ventures (continued)

	Year ended 31 December 2015	*Year ended 31 December 2014*
Revenue	7,327	7,668
Depreciation and amortisation	(1,039)	(576)
Interest income	2	3
Interest expense	(163)	(101)
Income tax benefit/(expense)	1,746	(796)
(Loss)/profit from continuing operations	(7,233)	2,201
Other comprehensive income	1	−
Total comprehensive (loss)/income for the period	**(7,232)**	**2,201**
Proportion of the Group's ownership	50.00%	50.00%
Group's share of total comprehensive (loss)/income	**(3,616)**	**1,101**

CJSC Electricheskiye seti Armenii and JSC RazTES

As a result of disposal in October 2015 of 25% of shares and in December 2015 of 25% of shares in the subsidiaries located in Republic of Armenia: CJSC Elektricheskiye seti Armenii and JSC RazTES the Group's share in these entities decreased from 100% to 50%. As a result of disposal from 30 October 2015 the Group has accounted these entities as the joint ventures in accordance with the shareholders agreement between Group and "Tashir" Group (Note 5).

The following is the summarised financial information in respect of CJSC Electricheskiye seti Armenii and JSC RazTES:

	31 December 2015
Non-current assets	15,067
Current assets (including cash and cash equivalents − 31 December 2015: RUR 299 million)	6,868
Non-current liabilities, including:	(8,885)
Non-current financial liabilities (excluding trade and other payables and provisions)	*(7,797)*
Current liabilities, including:	(10,290)
Current financial liabilities (excluding trade and other payables and provisions)	*(3,203)*
Equity	**2,760**
Group's share	50.00%
Carrying value of the investment	**1,380**

	November-December 2015
Revenue	5,465
Depreciation and amortisation	(143)
Interest income	7
Interest expense	(115)
Income tax benefit	(337)
Profit from continuing operations	612
Total comprehensive income for the period	**612**
Proportion of the Group's ownership	75.00%
Group's share of total comprehensive income	**459**

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

(a) Joint ventures (continued)

JSC INTER RAO LED-Systems

On 10 December 2015 the Group sold 17.59% of ordinary shares of JSC INTER RAO LED-Systems to third parties for the total consideration of RUR 526 million, out of which RUR 70 million was paid by cash and RUR 456 million was included in other account receivable and should be paid 2016-2018 years. Income from sale of shares in the amount of RUR 288 million was recognised in the consolidated statement of comprehensive income within Loss from disposal of Group entities, net (Note 25).

As a result of the disposal of shares the Group's effective share in this entity decreased to 17.59% (31 December 2014: 27.90%). As at 31 December 2015 the Group has accounted this entity as available-for-sale financial asset (Note 10).

The following is the summarised financial information in respect of JSC INTER RAO LED-Systems:

	31 December 2015	*31 December 2014*
Non-current assets	−	1,815
Current assets (including cash and cash equivalents − 31 December 2014: RUR 6 million)	−	1,415
Non-current liabilities, including:	−	(899)
Non-current financial liabilities (excluding trade and other payables and provisions)	−	*(503)*
Current liabilities, including:	−	(644)
Current financial liabilities (excluding trade and other payables and provisions)	−	*(244)*
Equity	**−**	**1,723**
Group's share	−	27.90%
Carrying value of the investment	**−**	**481**

	Year ended 31 December 2015	*Year ended 31 December 2014*
Revenue	494	1,158
Depreciation and amortisation	(185)	(225)
Interest expense	(98)	(73)
Income tax benefit	50	48
Loss from continuing operations	(156)	(266)
Total comprehensive loss for the period	**(156)**	**(266)**
Proportion of the Group's ownership	29.26%	27.90%
Group's share of total comprehensive loss	**(46)**	**(74)**

Other joint ventures

On 1 April 2014 the Group reclassified the investment of 51% interest in a joint venture − LLC InterRAO-WorleyParsons to assets classified as held-for-sale due to commitment of management to sell this investment (Note 15).

In December 2014, the Group established joint venture LLC Cosy house with ownership interest 50.00% of the shares. As at 31 December 2014 the carrying value of investment was recognised in the amount of RUR 431 million. The excess of fair value of non-monetary assets contributed by the Group in exchange for an equity interest in the LLC Cosy house over the cost of the investment was recognised as income in the consolidated statement of comprehensive income within share of profit/(loss) of associates and joint ventures − in the amount of RUR 223 million.

(in millions of RUR)

8. Investments in associates and joint ventures (continued)

(b) Associates

RUS Gas Turbines Holding B.V.

The Group's share in the entity is 25%. The ownership in the entity's equity allows the Group to participate in construction of production facilities, production and sales of high-performance industrial gas turbines in the Russian Federation.

The following is the summarised financial information in respect of RUS Gas Turbines Holding B.V.

	31 December 2015	*31 December 2014*
Non-current assets	4,999	3,844
Current assets	4,518	5,012
Current liabilities	(2,007)	(2,697)
Equity	**7,510**	**6,159**
Proportion of the Group's ownership	25.00%	25.00%
Carrying value of the investment	**1,878**	**1,540**

	Year ended 31 December 2015	*Year ended 31 December 2014*
Profit from continuing operations	1,353	1,687
Total comprehensive income for the period	**1,353**	**1,687**
Proportion of the Group's ownership	25.00%	25.00%
Group's share of total comprehensive income	**338**	**422**

Other associates

LLC IC Gas-Turbine Technologies

On 26 December 2013, the Group acquired 45.27% of the shares of LLC IC Gas-Turbine Technologies, an entity based in the Russian Federation, specializing in the development and production of high-performance industrial gas turbines. In December 2014 the Group additionally acquired 8.67% of the shares of LLC IC Gas-Turbine Technologies. The excess of the fair value of non-monetary assets contributed by the Group in exchange for an equity interest in the LLC IC Gas-Turbine Technologies over the cost of the investment was recognised as income in the consolidated statement of comprehensive income within share of profit/(loss) of associates and joint ventures − in amount of RUR 257 million.

In December 2015 within the 3rd stage of the investment agreement the Group contributed its 82.84% share in JSC Stend (Note 5). The excess of the cost of the investment over the carrying value of shares contributed by the Group in exchange for an equity interest in the LLC IC Gas-Turbine Technologies was recognised as income within share of profit/(loss) of associates and joint ventures in amount of RUR 219 million.

Although the Group's share in equity of LLC IC Gas-Turbine Technologies as at 31 December 2015 exceeded 50% the agreement with other shareholders does not provide for the ability to control the entity.

In December 2014 the Group acquired 49% of share of JSC EIRTS LO, entity based in the Russian Federation. The total cash consideration paid by the Group for the stakes acquired was RUR 50 million. During the year 2015 the Group purchased additional 2% of the ordinary shares of JSC EIRTS LO, for the cash consideration of RUR 2 million. As a result the Group increased its share in the entity's share capital from 49% to 51% and obtained the control over the entity (Note 5).

(in millions of RUR)

9. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Differences between IFRS base and relevant tax bases give rise to temporary differences between carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. Deferred tax assets and liabilities are measured at the rate expected to be applicable when the temporary differences will reverse, based on rates and legislation enacted or substantively enacted by end of the reporting period.

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		*Deferred tax liabilities*	
	31 December 2015	***31 December 2014***	***31 December 2015***	***31 December 2014***
Property, plant and equipment	1,099	1,402	(12,822)	(13,888)
Investments in associates and joint ventures	–	18	(2,290)	(3,376)
Trade and other receivables	2,347	1,948	–	–
Tax loss carry-forwards	3,612	1,101	–	–
Investments in available-for-sale financial assets and assets classified as held-for-sale	–	–	(409)	(368)
Accounts payable and long-term loans and borrowings	2,084	1,692	(359)	(343)
Other items	621	653	(2,382)	(1,637)
Tax assets/(liabilities)	**9,763**	**6,814**	**(18,262)**	**(19,612)**
Set off of tax	(5,351)	(4,578)	5,351	4,578
	4,412	**2,236**	**(12,911)**	**(15,034)**

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of some of the Group entities located in the Russian Federation and abroad and relate to the following deductible temporary differences:

	31 December 2015	***31 December 2014***
Available-for-sale financial assets	2,639	3,841
Assets classified as held-for-sale	10,413	10,413
Other	690	2,726
	13,742	**16,980**

Deductible temporary differences as at 31 December 2015 mainly relate to available-for-sale financial assets and assets classified as held-for-sale (relates to PJSC Irkutskenergo). Deferred tax assets have not been recognised in respect of these items because in management's opinion it is not probable that future taxable profit will be available in the respective Group's entities against which the Group can utilise respective tax loss. Unrecognised temporary differences can be realised within the next 7-10 years.

(c) Movement in tax effects of temporary differences, after offsetting, during the period

Deferred tax assets

	1 January 2014	***Recognised in profit and loss***	***Recognised in OCI (FCTR)***	***Recognised in OCI (reserves)***	***31 December 2014***
Property, plant and equipment	1,670	(2,161)	(70)	–	(561)
Trade and other receivables	1,162	208	(21)	–	1,349
Accounts payable and long-term loans and borrowings	321	899	1	(24)	1,197
Other items	(668)	697	62	–	91
Tax loss carry-forwards	904	(699)	(45)	–	160
	3,389	**(1,056)**	**(73)**	**(24)**	**2,236**

(in millions of RUR)

9. Deferred tax assets and liabilities (continued)

(c) Movement in tax effects of temporary differences, after offsetting, during the period (continued)

	1 January 2015	*Disposal of controlling interest*	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2015*
Property, plant and equipment	(561)	(4)	(23)	(75)	–	(663)
Trade and other receivables	1,349	–	257	57	–	1,663
Accounts payable and long-term loans and borrowings	1,197	–	138	62	(2)	1,395
Other items	91	(12)	79	(40)	(6)	112
Tax loss carry-forwards	160	–	1,739	6	–	1,905
	2,236	**(16)**	**2,190**	**10**	**(8)**	**4,412**

Deferred tax liabilities

	1 January 2014	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2014*
Property, plant and equipment	(12,949)	771	308	–	(11,870)
Investments in associates and joint ventures	(2,609)	28	(796)	–	(3,377)
Investments in available-for-sale financial assets and assets classified as held-for-sale	(349)	27	1	(45)	(366)
Accounts payable and long-term loans and borrowings	510	(236)	(104)	(19)	151
Other items	1,998	(1,366)	(204)	–	428
	(13,399)	**(776)**	**(795)**	**(64)**	**(15,034)**

	1 January 2015	*Disposal of controlling interest*	*Recognised in profit and loss*	*Recognised in OCI (FCTR)*	*Recognised in OCI (reserves)*	*31 December 2015*
Property, plant and equipment	(11,870)	739	(87)	158	–	(11,060)
Investments in associates and joint ventures	(3,377)	–	479	607	–	(2,291)
Investments in available-for-sale financial assets and assets classified as held-for-sale	(366)	105	3	–	(149)	(407)
Accounts payable and long-term loans and borrowings	151	(104)	267	34	(15)	333
Other items	428	(308)	718	(323)	(1)	514
	(15,034)	**432**	**1,380**	**476**	**(165)**	**(12,911)**

Temporary differences on property, plant and equipment relate to differences between the accounting and tax depreciation rates and carrying values and tax base of property, plant and equipment.

Deferred tax liability in the amount of RUR 149 million was recognised through other comprehensive income in relation to revaluation of available-for-sale financial assets for the year ended 31 December 2015 (for the year ended 31 December 2014: RUR 45 million).

The Group has not recognised deferred tax liabilities in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures in the amount of RUR 195,540 million (31 December 2014: RUR 169,700 million) because the Group is able to control timing of the reversal of temporary differences and does not intend to realise them in the foreseeable future.

(in millions of RUR)

10. Available-for-sale financial assets

As at 31 December 2015 available-for-sale financial assets in the total amount of RUR 5,865 million (31 December 2014: RUR 7,260 million) included investments in quoted shares in the total amount of RUR 4,159 million (31 December 2014: RUR 5,806 million) and investment in unquoted shares in the total amount of RUR 1,706 million (31 December 2014: RUR 1,454 million).

Investments in quoted shares

For the year ended 31 December 2015 the amount of RUR 19 million was recognised as impairment loss on available-for-sale financial assets through profit and loss in the consolidated statement of comprehensive income (for the year ended 31 December 2014: RUR 1,176 million) (Note 25).

For the year ended 31 December 2015 the amount of RUR 928 million, net of tax RUR 149 million was recognised as a gain from revaluation of available-for-sale financial assets through other comprehensive income in the consolidated statement of comprehensive income (for the year ended 31 December 2014: RUR 336 million, net of tax RUR 45 million).

	31 December 2015		*31 December 2014*	
	% share capital	***Carrying value***	***% share capital***	***Carrying value***
PJSC RusHydro	1.85%	3,644	1.85%	2,906
PJSC Mosenergo	–	–	4.97%	1,264
Plug Power Inc.	–	–	2.34%	404
PJSC OGK-2	–	–	4.17%	398
JSC TGK-1	–	–	1.97%	345
PJSC FGC UES	0.37%	273	0.37%	211
PJSC Quadra	2.25%	114	2.25%	146
PJSC Irkutskenergo	0.29%	113	0.29%	81
JSC TGK-2	–	–	1.38%	18
PJSC TGK-14	–	–	0.60%	14
PJSC Yaroslavl Power Sale Company	0.47%	12	0.47%	8
PJSC IDGC of Centre	–	–	0.07%	8
Other	–	3	–	3
Total		**4,159**		**5,806**

During the year ended 31 December 2015 the Group has sold the shares: 2.34% in Plug Power Inc., 1.97% in JSC TGK-1, 1.38% in JSC TGK-2, 0.60% in PJSC TGK-14, 4.17% in PJSC OGK-2, 4.97% in PJSC Mosenergo, 0.07% in PJSC IDGC of Centre and 0.003% in PJSC IDGC of Volga. The fair value of the available-for-sale financial assets sold was RUR 2,705 million, the cash consideration received was RUR 2,730 million. As a result of the available-for-sale financial assets disposal the corresponding fair value reserve was derecognised in the consolidated statement of changes in equity in the amount of RUR 689 million, net of tax RUR 105 million and the income from sale of available-for-sale financial assets in the amount of RUR 819 million was recognised in the consolidated statement of comprehensive income.

During the year ended 31 December 2014 the Group sold 2.48% of ordinary shares of JSC TGK-9, 0.08% of ordinary shares of JSC Mosenergo, 1.53% of ordinary shares of JSC OGK-2, 9.46% of ordinary shares of Plug Power and 0.38% of ordinary shares of JSC Yaroslavl Power Sale Company to the third parties for a total cash consideration of RUR 1,148 million and recognised the amount of RUR 149 million as a disposal of accumulated revaluation loss of available-for-sale financial assets through other comprehensive income in the consolidated statement of comprehensive income due to sale of quoted shares of number of companies.

Investments in unquoted shares

	31 December 2015		*31 December 2014*	
	% share capital	***Carrying value***	***% share capital***	***Carrying value***
JSC Akkuyu NPP	0.82%	848	0.82%	848
JSC BESC	1.46%	404	1.46%	404
JSC INTER RAO LED-Systems (Note 8)	17.59%	229	–	–
JSC Sangtudinskaya GES-1	14.87%	161	14.87%	161
Other		64		41
Total		**1,706**		**1,454**

The carrying value of investments in unquoted shares as at 31 December 2015 and 31 December 2014 reflected impairment of investment in JSC Sangtudinskaya GES-1 in the amount of RUR 530 million.

The Group did not identify any further impairment in respect of available-for-sale investments in unquoted shares for the year ended 31 December 2015.

(in millions of RUR)

11. Other non-current assets

		31 December 2015	*31 December 2014*
Financial non-current assets		***7,644***	***8,247***
Non-current trade receivables		*2,016*	1,972
	Less impairment provision	*(486)*	*(467)*
Non-current trade receivables − net		**1,530**	**1,505**
Other non-current receivables		2,008	5,345
	Less impairment provision	*(128)*	*(114)*
Other non-current receivables − net		**1,880**	**5,231**
Non-current loans issued (including interest)		4,791	150
	Less impairment provision	*(638)*	–
Non-current loans issued (including interest) − net		**4,153**	**150**
Long-term derivative financial instruments − assets		1	1,292
Long-term bank deposits		80	69
		4,234	**1,511**
Non-financial non-current assets		***1,077***	***1,847***
Non-current advances to suppliers and prepayments		83	1,007
	Less impairment provision	*(7)*	*(7)*
Non-current advances to suppliers and prepayments − net		**76**	**1,000**
VAT recoverable		123	105
Other		878	742
		8,721	**10,094**

As at 31 December 2015 Non-current loans issued (including interest) included RUR 4,791 million of loan and impairment provision in the amount RUR 638 million on that loan given to CJSC Elektricheskie seti Armenii, a company which was reclassified from subsidiary to joint venture (Note 5, 8).

Included in Other non-current receivables RUR 1,423 million represents a financial asset recognised by the Group in relation to the concession arrangement by one of the Group's subsidiary, Trakya Elektrik Uretim ve Ticaret A.S. ("Operator"), Republic of Turkey (31 December 2014: RUR 1,865 million). In accordance with the arrangement, the Operator constructs, commissions and operates a natural gas-fired combined cycle power station on a BOT basis under the terms of Implementation Contract between the Operator and the Ministry of Energy and Natural Resources of the Republic of Turkey ("MENR"). The concession arrangement period includes initial period of up to 2019 with an option of the MENR to extend the operating period up to 2046. At the end of the concession arrangement period, the power plant shall be transferred to an enterprise nominated by MENR. Certain state owned domiciled entities in Turkey are currently obliged to purchase on a "take-or-pay" basis minimum quantities of electricity made available by Trakya Elektrik Uretim ve Ticaret A.S. for initial period. The electricity selling price is calculated as the sum of fixed capacity price, variable capacity price and also depends on natural gas price.

As at 31 December 2015 long-term derivative financial instruments included fair value of electricity derivatives in the amount of RUR 1 million (31 December 2014: RUR 1,292 million) at RAO Nordic Oy and AB INTER RAO Lietuva which are held for the purposes of hedging future sales (Note 16, 20, 21).

As at 31 December 2014 other non-current receivables in the amount of RUR 3,120 million are represented by advances to suppliers of property, plant and equipment which have been reclassified from construction in progress due to the agreement termination with one of the contractors.

As at 31 December 2014 non-current advances to suppliers and prepayments included the advance to JSC Enex in the amount of RUR 948 for construction of Termogas Machala gas-fired power plant in Ecuador.

(in millions of RUR)

11. Other non-current assets (continued)

Movements in the provision for impairment of other non-current assets are as follows:

	Non-current trade receivables	*Non-current advances to suppliers and prepayments*	*Other non-current receivables*	*Non-current loans issued (including interest)*	*Total provision*
At 31 December 2014	**(467)**	**(7)**	**(114)**	**–**	**(588)**
Release/(accrual) of provision for receivables impairment	1	–	(2)	(638)	**(639)**
Accrual of discount effect	(348)	–	(14)	–	**(362)**
Unwinding of discount	172	–	2	–	**174**
Reclassification	94	–	–	–	**94**
Reclassification of short-term portion	53	–	–	–	**53**
Disposal of group entities	9	–	–	–	**9**
At 31 December 2015	**(486)**	**(7)**	**(128)**	**(638)**	**(1,259)**

	Non-current trade receivables	*Non-current advances to suppliers and prepayments*	*Other non-current receivables*	*Total provision*
At 31 December 2013	**(395)**	**(84)**	**(243)**	**(722)**
Release/(accrual) of provision for receivables impairment	3	(1)	113	**115**
Receivables written off as uncollectible	4	77	–	**81**
Accrual of discount effect	(156)	–	(6)	**(162)**
Unwinding of discount	119	1	31	**151**
Reclassification of short-term portion	22	–	(9)	**13**
Translation difference	(64)	–	–	**(64)**
At 31 December 2014	**(467)**	**(7)**	**(114)**	**(588)**

12. Inventories

	31 December 2015	*31 December 2014*
Fuel	8,158	7,485
Spare parts	2,906	3,276
Materials and consumables	4,027	3,577
Other	807	565
	15,898	**14,903**

As at 31 December 2015 provision for inventory obsolescence amounted to RUR 493 million (31 December 2014: RUR 439 million) and included foreign currency translation loss in the amount of RUR 11 million (31 December 2014: RUR 17 million). The charge of provision for the year ended 31 December 2015 in the amount of RUR 103 million (release of provision for the year ended 31 December 2014: RUR 62 million) was recognised in Other provisions within Operating expenses, net in consolidated statement of comprehensive income.

As at 31 December 2015 the Group has a technological inventory in the amount RUR 5,512 million, mostly represented by fuel and spare parts (31 December 2014: RUR 4,952 million).

(in millions of RUR)

13. Accounts receivable and prepayments

		31 December 2015	*31 December 2014*
Financial assets		***65,528***	***63,504***
Trade receivables		85,140	81,688
	Less impairment provision	*(27,151)*	*(25,156)*
Trade receivables − net		**57,989**	**56,532**
Other receivables		8,555	7,935
	Less impairment provision	*(3,282)*	*(2,321)*
Other receivables − net		**5,273**	**5,614**
Short-term loans issued (including interest)		707	434
	Less impairment provision	(283)	*(284)*
Short-term loans issued (including interest)		**424**	**150**
Short-term outstanding interest on bank deposits		415	249
	Less impairment provision	*(10)*	*(10)*
Short-term outstanding interest on bank deposits − net		**405**	**239**
Short-term receivables on construction contracts		1,422	485
Dividends receivable		15	484
Non-financial assets		***16,313***	***18,199***
Advances to suppliers and prepayments		9,861	11,131
	Less impairment provision	(604)	*(627)*
Advances to suppliers and prepayments − net		**9,257**	**10,504**
Short-term VAT recoverable		4,023	4,902
Taxes prepaid		3,033	2,793
		81,841	**81,703**

As at 31 December 2015 short-term VAT recoverable included RUR 471 million of VAT for construction of Verkhnetagilskaya GRES, Permskaya GRES and Cherepetskaya GRES (31 December 2014: RUR 1,099 million), and RUR nil of VAT recoverable on export operations (31 December 2014: RUR 381 million).

As at 31 December 2015 current advances to suppliers and prepayments included the advance to JSC Enex in the amount of RUR 3,435 million for construction of Termogas Machala gas-fired power plant in Ecuador (31 December 2014: RUR nil).

Movements in the provision for impairment of receivables are as follows:

	Trade receivables	*Advances to suppliers and prepayments*	*Short-term loans issued (incl. interest)*	*Short-term outstanding interest on bank deposits*	*Other receivables*	*Total provision*
At 31 December 2014	**(25,156)**	**(627)**	**(284)**	**(10)**	**(2,321)**	**(28,398)**
Accrual of provision	(5,188)	(8)	−	−	(216)	**(5,412)**
Accrual of discount effect	(4)	−	−	−	−	**(4)**
Unwinding of discount	50	−	−	−	−	**50**
Receivables written off as uncollectible (provided for at the beginning of the year)	1,717	24	−	−	174	**1,915**
Transfer to other balance accounts	29	−	−	−	69	**98**
Reclassification, other	782	−	−	−	(876)	**(94)**
Reclassification of long-term portion	(53)	−	−	−	−	**(53)**
Disposal of controlling interest	882	18	−	−	8	**908**
Translation difference	(210)	(11)	1	−	(120)	**(340)**
At 31 December 2015	**(27,151)**	**(604)**	**(283)**	**(10)**	**(3,282)**	**(31,330)**

(in millions of RUR)

13. Accounts receivable and prepayments (continued)

	Trade receivables	*Advances to suppliers and prepayments*	*Short-term loans issued (incl. interest)*	*Short-term outstanding interest on bank deposits*	*Other receivables*	*Total provision*
At 31 December 2013	**(19,654)**	**(652)**	**(271)**	**(10)**	**(2,517)**	**(23,104)**
(Accrual)/release of provision	(5,372)	9	–	–	(257)	**(5,620)**
Accrual of discount effect	(5)	–	–	–	–	**(5)**
Unwinding of discount	54	–	–	–	–	**54**
Receivables written off as uncollectible (provided for at the beginning of the year)	1,286	46	–	–	312	**1,644**
Reclassification, other	(236)	(5)	–	–	241	**–**
Reclassification of long-term portion	(22)	–	–	–	9	**(13)**
Disposal of controlling interest	–	–	–	–	21	**21**
Translation difference	(1,207)	(25)	(13)	–	(130)	**(1,375)**
At 31 December 2014	**(25,156)**	**(627)**	**(284)**	**(10)**	**(2,321)**	**(28,398)**

Nominal value of financial assets included in accounts receivable are presented as follows:

At 31 December 2015	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Dividends receivable*	*Short-term outstanding interest on bank deposits*	*Short-term receivables on construction contracts*	*Total*
Not past due not impaired	35,067	424	2,798	15	361	1,422	**40,087**
Past due but not impaired	13,847	–	760	–	44	–	**14,651**
Past due and impaired	36,226	283	4,997	–	10	–	**41,516**
Total	**85,140**	**707**	**8,555**	**15**	**415**	**1,422**	**96,254**

At 31 December 2014	*Trade receivables*	*Short-term loans issued (including interest)*	*Other receivables*	*Dividends receivable*	*Short-term outstanding interest on bank deposits*	*Short-term receivables on construction contracts*	*Total*
Not past due not impaired	38,464	151	3,945	484	239	485	**43,768**
Past due but not impaired	11,850	–	373	–	–	–	**12,223**
Past due and impaired	31,374	283	3,617	–	10	–	**35,284**
Total	**81,688**	**434**	**7,935**	**484**	**249**	**485**	**91,275**

As at 31 December 2015 accounts receivable in the amount of RUR 14,651 million (31 December 2014: RUR 12,223 million) were past due but not impaired. These relate to a number of independent counterparties without past instances of default as well as none expected. The ageing analysis of these receivables is as follows:

Past due but not impaired	*31 December 2015*	*31 December 2014*
Up to 3 months	9,914	8,881
3 to 6 months	2,397	1,650
6 to 12 months	1,846	1,049
Over 12 months	494	643
Total	**14,651**	**12,223**

The past due and impaired accounts receivable mainly comprise amounts due from wholesalers, population and other retail customers. The ageing of these receivables is as follows:

Past due and impaired	*31 December 2015*	*31 December 2014*
Up to 3 months	10,622	7,517
3 to 6 months	3,083	1,882
6 to 12 months	4,202	4,304
Over 12 months	23,609	21,581
Total	**41,516**	**35,284**

The Group does not hold any collateral as a security.

(in millions of RUR)

14. Cash and cash equivalents

	31 December 2015	*31 December 2014*
Cash at bank and in hand, national currency	20,962	25,100
Cash at bank and in hand, foreign currency	2,716	10,566
Bank deposits with maturity of three months or less	42,162	39,933
Total	**65,840**	**75,599**

As at 31 December 2015 bank deposits with maturity of three months or less in the amount of RUR 35,830 million are denominated in RUR (31 December 2014: RUR 33,118 million), in US dollars − RUR 6,068 million (31 December 2014: RUR 6,723 million), in euro − RUR 100 million (31 December 2014: RUR 88 million) and in Georgian lari − RUR 164 million (31 December 2014: RUR 4 million).

15. Assets classified as held-for-sale

	31 December 2014	*Revaluation*	*Impairment*	*Disposal of fair value reserve*	*Disposal*	*Reclassi-fication*	*31 December 2015*
PJSC Irkutskenergo	38,048	−	−	−	−	−	38,048
LLC InterRAO-WorleyParsons	9	−	−	−	(9)	−	−
Total	**38,057**	**−**	**−**	**−**	**(9)**	**−**	**38,048**

	31 December 2013	*Revaluation*	*Impairment*	*Disposal of fair value reserve*	*Disposal*	*Reclassi-fication*	*31 December 2014*
PJSC Irkutskenergo	38,048	−	−	−	−	−	38,048
JSC Volga TGC	4,232	100	(180)	(601)	(3,551)	−	−
LLC InterRAO-WorleyParsons	−	−	−	−	−	9	9
Total	**42,280**	**100**	**(180)**	**(601)**	**(3,551)**	**9**	**38,057**

In the 1st half 2011, PJSC Inter RAO acquired 40.00% of ordinary shares of PJSC Irkutskenergo. On the date of acquisition the Group classified the investment as asset held-for-sale in the amount of RUR 38,048 million being the cost of consideration given. Up to 31 December 2015 the Group has been still negotiating sale of the stake.

On 13 May 2014 the Group sold 7.50% of JSC Volga TGC for a cash consideration of RUR 3,698 million to third parties.

As at 1 April 2014 the Group reclassified the investment in joint venture LLC InterRAO-WorleyParsons with ownership interest 51% to assets classified as held-for-sale due to commitment of management to sell this investment (Note 8). On 16 July 2015 the Group has sold this investment to the third party for the cash consideration of RUR 20 million.

16. Other current assets

	31 December 2015	*31 December 2014*
Restricted cash	627	838
Bank deposits with maturity of 3-12 months	17,784	6,098
Short-term derivative financial instruments	34	1,389
Other	686	829
Total	**19,131**	**9,154**

As at 31 December 2015 restricted cash balances include cash deposited in PJSC Otkritie FC Bank (held as collateral of the payments to the third parties for the shares in PJSC Tomskenergosbyt) in the amount of RUR 200 million (as at 31 December 2014: RUR 200 million), in OKO Bank (held as collateral in favour of Fingrid), Nordea (held as collateral in favour of NASDAQ OMX AB), Saxo bank and Deutsche bank in the aggregate amount of RUR 114 million (as at 31 December 2014: RUR 134 million), cash deposited in VTB Bank Armenia (security interest in favour of EBRD according to the loan agreement) in the amount of RUR nil (as at 31 December 2014: RUR 112 million) and cash deposited in the total amount of RUR 313 million held by Group Trakya, JSC Telasi, AB Inter RAO Lietuva, SIA Inter RAO Latvia, PJSC Tomskenergosbyt and other companies (as at 31 December 2014: RUR 392 million).

(in millions of RUR)

16. Other current assets (continued)

As at 31 December 2015 short-term derivative financial instruments included fair value of electricity derivatives in the amount of RUR 34 million (31 December 2014: RUR 990 million) at RAO Nordic Oy which are held for the purposes of hedging future sales (Note 11).

As at 31 December 2015 short-term derivative financial instruments included foreign currency forward contracts and foreign currency swaps in the total amount of RUR nil (31 December 2014: RUR 399 million).

As at 31 December 2015 other current assets included bonds issued by financial institutions with total carrying value of RUR 313 million (as at 31 December 2014: RUR 302 million).

17. Equity

Share capital

	31 December 2015	*31 December 2014*
Number of ordinary shares issued and fully paid (in units)	104,400,000,000	104,400,000,000
Par value (in RUR)	2.809767	2.809767
Share capital (in million RUR)	293,340	293,340

Movements in outstanding and treasury shares

	Issued shares		*Treasury shares*		*Total*	
	thousand units	*million RUR*	*thousand units*	*million RUR*	*thousand units*	*million RUR*
31 December 2014	**104,400,000**	**293,340**	**(20,011,938)**	**(56,229)**	**84,388,062**	**237,111**
Sale of treasury shares, net	–	–	16,150	45	**16,150**	**45**
31 December 2015	**104,400,000**	**293,340**	**(19,995,788)**	**(56,184)**	**84,404,212**	**237,156**

In 2014 following the decision of the Shareholders annual general meeting, the Board of Directors approved the procedure of PJSC Inter RAO shares consolidation. According to the decision, PJSC Inter RAO consolidated its shares on the basis of 1 (one) new share for every 100 (one hundred) shares outstanding, thus increasing the par value of each share from RUR 0.02809767 to 2.809767. The new shares issue has been registered by the Central Bank on 31 December, 2014. On 20 January, 2015 PJSC Inter RAO shares (state registration number 1-04-33498-E from 23 December 2014) with a new par value of RUR 2.809767 have started trading on Moscow Stock Exchange. As a consequence, basic and diluted earnings per share and number of ordinary shares issued and fully paid (in units) were recalculated retrospectively (see Note 18).

Put and call option

On 10 July 2014 the Group received put notice from SC Vnesheconombank under put and call option agreement to exercise the Put option with respect to 529,303,482,587 of option shares of PJSC Inter RAO.

On 8 October 2014 the Group exercised put option in the amount of RUR 31,374 million and became the owner of 5.07% of ordinary shares of the Parent Company with nominal value of RUR 14,872 million and market value of RUR 4,842 million at the date of transaction.

The difference between market value and nominal value of ordinary shares for the total amount of RUR 10,030 million was recognised as retained earnings in the consolidated statement of changes in equity for the year ended 31 December 2014.

Dividends

Dividends to non-controlling shareholders were declared by the Group's subsidiaries in the amount of RUR 429 million for the year ended 31 December 2015 (for the year ended 31 December 2014: RUR 274 million).

During the year 2015 the Group received the undrawn dividends related to previous years from non-controlling shareholders in the amount of RUR 5 million.

During the year 2014 the Group received the undrawn dividends related to previous years from non-controlling shareholders in the amount of RUR 27 million.

(in millions of RUR)

17. Equity (continued)

Cash flow hedge reserve

For the year ended 31 December 2015 net loss on hedge transactions was recognised in other comprehensive income in the amount of RUR 50 million related to shareholders of the Company and net gain related to non-controlling interest in the amount of RUR 2 million.

For the year ended 31 December 2014 net gain on hedge transactions was recognised in other comprehensive income in the amount of RUR 102 million related to shareholders of the Company and net loss related to non-controlling interest in the amount of RUR 10 million.

The overall effect of above agreements are provided in the table below:

	Foreign currency forward and option contacts	*Electricity forward and futures contracts*	*Total*
31 December 2013	**(113)**	**49**	**(64)**
Gain arising on change in fair value of hedge instruments, net	123	3	**126**
Deferred income tax related to gains recognised in other comprehensive income	(24)	–	**(24)**
31 December 2014	**(14)**	**52**	**38**
Gain/(loss) arising on change in fair value of hedge instruments, net	8	(56)	**(48)**
Deferred income tax related to gains recognised in other comprehensive income	(2)	–	**(2)**
31 December 2015	**(8)**	**(4)**	**(12)**

Fair value reserve

	Fair value reserve
31 December 2013	**642**
Gain arising on change in fair value of available-for-sale financial assets (Note 10, 15)	29
Deferred income tax related to gains recognised in other comprehensive income	(45)
31 December 2014	**626**
31 December 2014	**626**
Gain arising on change in fair value of available-for-sale financial assets (Note 10, 15)	388
Deferred income tax related to gains recognised in other comprehensive income	(149)
31 December 2015	**865**

Actuarial reserve

	Related to shareholders of the Company	*Related to non-controlling shareholders*	*Total*
31 December 2013	**(280)**	**1**	**(279)**
Gain arising on change in pension liabilities	265	15	**280**
Deferred income tax related to gains recognised in other comprehensive income	(19)	–	**(19)**
31 December 2014	**(34)**	**16**	**(18)**
31 December 2014	**(34)**	**16**	**(18)**
Loss arising on change in pension liabilities	(42)	(9)	**(51)**
Deferred income tax related to gains recognised in other comprehensive income	(15)	–	**(15)**
31 December 2015	**(91)**	**7**	**(84)**

(in millions of RUR)

18. Earnings per share

The calculation of earnings per share is based on profit or loss for the period and weighted average number of ordinary shares outstanding during the period, calculated as shown below. Earnings per share calculations for the years ended 31 December 2014 and 2015 reflect the result of the share consolidation performed by the Group in January 2015 (Note 17).

As at 31 December 2014 and 31 December 2015 the anti-dilutive effects of the recognition of call option signed with JSC Mejregionenergostroy (see Note 19 (iv)) and share-based option programme (see Note 32 (b)) are not included in calculation of diluted earnings per share.

	Year ended 31 December 2015
Weighted average number of shares (thousand units) − basic and diluted	**84,395,931**
Income attributable to the shareholders of the Company	22,715
Income per ordinary share (RUR) − basic and diluted	0.269

	Year ended 31 December 2014
Weighted average number of shares (thousand units) − basic and diluted	**88,751,977**
Income attributable to the shareholders of the Company	7,837
Income per ordinary share (RUR) − basic and diluted	0.088

19. Loans and borrowings

This note provides information about the Group's loans and borrowings. Certain loan agreements include financial and non-financial covenants.

Loans and borrowings	***Currency***	***31 December 2015***	***31 December 2014***
VTB Bank (Deutschland) AG (x)	RUR	20,764	20,770
EBRD (iii), (x)	RUR	17,169	17,861
Mejregionenergostroy JSC, VTB Factoring LLC (iv)	RUR	−	16,687
ROSSIYA JSC (x)	RUR	3,670	8,881
Raiffeisenbank JSC	RUR	2,000	2,000
Gazprombank JSC	RUR	3,844	323
Sberbank PJSC (xii)	RUR	950	−
Total in RUR	RUR	**48,397**	**66,522**
Vnesheconombank SC (ii)	USD	−	9,166
ING Bank NV (viii)	USD	8,141	7,930
Vakifbank (ix)	USD	5,491	5,450
EBRD (v)	USD	708	1,054
Other	USD	15	1,250
Total in USD	USD	**14,355**	**24,850**
ING Bank NV (xi)	EUR	1,643	1,614
EBRD (vi)	EUR	−	1,450
SWEDBANK AB	EUR	1,359	1,394
Vnesheconombank SC (vii)	EUR	−	777
Total in EUR	EUR	**3,002**	**5,235**
Government of Armenia (i)	JPY	−	872
Government of Georgia	JPY	563	464
Total in JPY	JPY	**563**	**1,336**
Total in AMD	AMD	**−**	**146**
Total in GEL	GEL	**111**	**117**
Finance leases			
Financial lease	USD	1,337	1,541
Financial lease	RUR	327	649
Financial lease	LTL	−	54
Financial lease	EUR	60	6
Total long-term loans and borrowings		**68,152**	**100,456**
Less: current portion of long-term loans and borrowings and long-term finance leases		(25,535)	(36,271)
		42,617	**64,185**

(in millions of RUR)

19. Loans and borrowings (continued)

Effective interest rates

	31 December 2015	*31 December 2014*
Loans and borrowings at fixed interest rate		
RUR	8.89-15.29%	8.75-14.00%
USD	15.40%	10.00-15.40%
JPY	18.00%	8.00-19.00%
GEL	18.00%	19.00%
Loans and borrowings at variable interest rate		
RUR	11.81-22.30%	11.18-15.06%
USD	2.43-5.18%	2.43-4.85%
EUR	0.74-2.55%	0.92-5.34%
Finance leases		
RUR	14.47-28.05%	12.50-28.05%
USD	6.48%	6.48-14.81%
EUR	4.80-4.90%	4.00-4.90%
LTL	−	4.80%

As at 31 December 2015 fair value of loans and borrowings is RUR 68,196 million (31 December 2014: RUR 98,454 million), which is estimated by discounting of contractual future cash flows at the prevailing current market interest rates available to the Group for similar financial instruments.

31 December 2015	*Fair value*	*Method of valuation*	*Ranges*
Financial liabilities at amortised cost			
Total loans and borrowings		**discounted cash flows**	
Loans denominated in RUR	48,517	discounted cash flows	12.62-28.05%
Loans denominated in USD	15,693	discounted cash flows	2.63-10.11%
Loans denominated in EUR	3,061	discounted cash flows	0.74-4.90%
Loans denominated in JPY	800	discounted cash flows	10.11%
Loans denominated in GEL	125	discounted cash flows	13.73%

(i) The credit line of JPY 3,877 million at nominal interest rate of 1.8% was obtained for the purposes of financing the Armenian power system programme “Transmission and distribution of electricity network”. The loan is to be repaid from 10 February 2009 to 10 February 2039. Starting from 30 October 2015 due to disposal of controlling interest in CJSC Elektricheskie seti Armenii the loan is accounted as the part on investment in joint venture (Note 5, 8).

(ii) As at 31 December 2014 the Group had a loan in the amount of USD 163 million at effective interest rate of 3.85%, which was obtained to finance acquisition of 49% share in CJSC Moldavskaya GRES. The Group has repaid the loan on 11 November 2015.

(iii) In May 2014 the Group obtained RUR 8,5 billion under the credit line with EBRD at floating interest rate MosPrime + 1.85% for the purpose construction of the forth power generation block Verkhnetagilskaya GRES JSC INTER RAO − Electric Power Plants. The Parent Company acts as a guarantor under this agreement. The credit limit is RUR 12 billion.

(iv) Direct financing received from JSC Mejregionenergostroy for construction of the second power generation block Kaliningradskaya TEC-2 was novated into long-term loan agreement with the contractual interest rate of 0.83%. All obligations related to loan were transferred to one of the Group entities, CJSC Inter RAO UES Capital. The Parent Company acted as a guarantor under the agreement. The Group signed an addendum to the long-term loan agreement and entered into a call option with JSC Mejregionenergostroy. The loan was discounted using effective interest rate of 9% (Note 26). On 17 June 2014 JSC Mejregionenergostroy signed the cession agreement with VTB Factoring LLC and conceded the rights of money requirement from the Group in the amount of RUR 13,000 million. In June 2015 the Group has repaid long-term loan with JSC Mejregionenergostroy and VTB Factoring LLC in the total amount of RUR 17,383 million.

(v) In February 2011 JSC Telasi obtained a loan from European Bank of Reconstruction and Development (EBRD) amounting to USD 25 million at floating interest rate Libor + Margin. The Margin varies from 3.5% to 5.0%, the loan was obtained for financing of the investment programme to rehabilitate electricity distribution low-voltage network system in Georgia. The loan is payable on 4 November 2020. The Parent Company acts as a guarantor under this agreement.

(in millions of RUR)

19. Loans and borrowings (continued)

Effective interest rates (continued)

(vi) On 30 April 2009 CJSC Elektricheskie seti Armenii obtained a loan amounting to EUR 42 million at floating interest rate Libor + Margin for the purposes of financing the investment programme on rehabilitation and upgrading of the electricity distribution network system. The margin varies from 3.5% to 5.0%. The loan is payable in October 2018. The Parent Company acts as a guarantor under this agreement. Starting from 30 October 2015 due to disposal of controlling interest in CJSC Elektricheskie seti Armenii the loan is accounted as the part on investment in joint venture (Note 5, 8).

(vii) On 17 June 2009 CJSC Elektricheskie seti Armenii obtained a loan from SC Vnesheconombank amounting to EUR 22.5 million at floating interest rate Euribor + 7.0% for the purpose of financing the investment programme on rehabilitation and upgrading of the electricity distribution network system. In the first half of 2011, in accordance with terms of agreement, the margin was changed to 5.0%. The loan is payable in October 2018. On 15 October 2009 the Parent Company issued financial guarantee for the joint liability under the above loan agreement. Starting from 30 October 2015 due to disposal of controlling interest in CJSC Elektricheskie seti Armenii the loan is accounted as the part on investment in joint venture (Note 5, 8).

(viii) On 23 September 2011 INTER RAO Credit B.V. obtained a loan from ING Bank N.V. in the amount of USD 74 million at nominal interest rate of 2.43%, for the purposes of financing an acquisition of JSC Khramhesi GES I and JSC Khramhesi GES II. The loan is payable in September 2016. The Parent Company and JSC INTER RAO − Electric Power Plants act as guarantors under this agreement.

On 10 December 2012 INTER RAO Turkey Enerji Holding A.S. obtained a loan from ING Bank N.V. in the amount of USD 89 million with variable interest rate Libor + 3.75%, with the purposes of financing acquisition of Trakya Elektrik Uretim ve Ticaret A.S.. The loan is payable in December 2017. Parent Company and JSC INTER RAO − Electric Power Plants act as guarantors under this agreement.

(ix) With the acquisition of controlling interest in Trakya Elektrik Uretim ve Ticaret A.S., the Group assumed liability under two loans from Vakifbank with variable interest rate Libor + 4.15%, in the amount of USD 75 million as at 31 December 2015. The loans are payable in June 2019.

(x) As at 31 December 2015 the Group held RUR 9.5 billion under long-term credit line from EBRD within the agreement signed 31 July 2012 with an interest rate 3M MosPrime + 1.5%, 1 billion under long-term credit line from ROSSIYA JSC within the agreement signed 31 July 2014 with an interest rate 12.5% and RUR 21 billion under long-term credit from VTB Bank (Deutschland) AG with an interest rate MosPrime + 2.3% to repay obligations under Put and Call option agreement with SC Vnesheconombank (see Note 17). The Parent Company acts as a guarantor under these agreements.

(xi) In April 2014 the Group obtained EUR 29 million under the credit line with ING Bank N.V. at floating interest rate EURIBOR + 0.74% for the purpose construction of the forth power generation block Permskaya GRES JSC INTER RAO − Electric Power Plants. The Parent Company acts as a guarantor under this agreement.

(xii) On 5 November 2015 Parent company signed RUR 10.5 billion long-term credit line agreement with Sberbank PJSC with interest rate 11.5% for financing of construction Zatonskaya TEC under government decree № 1044.

JSC Stantsiya Ekibastuzskaya GRES-2, joint venture, recognises liability under two credit lines in the amount of USD 385 million and RUR 12,000 million from Eurasian Development Bank and SC Vnesheconombank, accordingly, maturing in 2025. Shareholders of JSC Stantsiya Ekibastuzskaya GRES-2 issued guarantees to the banks in the amount equal to 50% of the loans carrying value and pledged shares of JSC Stantsiya Ekibastuzskaya GRES-2 as a collateral. The Parent Company's liability under the guarantee and collateral is limited by 50% of the two loans in the amount of RUR 10,180 million as at 31 December 2015 (as at 31 December 2014: RUR 9,119 million); another 50% of the loans were guaranteed and collateralised by JSC Samruk-Energo.

Gross finance lease liabilities − minimum lease payments:

	31 December 2015	*31 December 2014*
Less than one year	786	1,035
Between one and five years	1,081	1,503
After five years	60	52
	1,927	**2,590**
Future finance charges on finance leases	(203)	(340)
Present value of finance lease liabilities	**1,724**	**2,250**

(in millions of RUR)

19. Loans and borrowings (continued)

Effective interest rates (continued)

Present value of finance lease liabilities is as follows:

	31 December 2015	*31 December 2014*
Less than one year	669	858
Between one and five years	1,014	1,349
After five years	41	43
	1,724	**2,250**

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Parent Company has a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. At the time of raising new loans or borrowings management applies the policy to determine whether a fixed or variable rate would be more favourable to the Company over the expected period until maturity. As for other entities of the Group, following the corporate regulative documents, the decisions on raising new loans and borrowings on the subsidiaries level are subject for approval by the Parent Company. Management applies the same policy in making decisions in respect of the conditions of raising loans and borrowings on the subsidiary level.

Current loans and borrowings and current portion of non-current loans and borrowings:

	31 December 2015	*31 December 2014*
Current loans and borrowings	5,971	5,937
Current portion of non-current loans and borrowings	24,862	35,413
Current portion of finance lease liability	669	858
Interest payable	2,210	739
Total	**33,712**	**42,947**

The Group has the following undrawn borrowing facilities:

	31 December 2015	*31 December 2014*
Floating rate		
Expiring within one year	5,750	5,570
Expiring beyond one year	14,500	27,626
	20,250	**33,196**
Fixed rate		
Expiring within one year	20,645	30,106
Expiring beyond one year	50,504	22,032
	71,149	**52,138**
Total	**91,399**	**85,334**

20. Accounts payable and accrued liabilities

	31 December 2015	*31 December 2014*
Financial liabilities		
Trade payables	48,105	51,527
Short-term derivative financial instruments	216	2,359
Dividends payable	13	128
Other payables and accrued expenses	5,015	5,396
Total	**53,349**	**59,410**
Non-financial liabilities		
Advances received	28,816	28,288
Staff payables	8,531	6,506
Provisions, short-term	4,447	2,632
Total	**41,794**	**37,426**
	95,143	**96,836**

(in millions of RUR)

20. Accounts payable and accrued liabilities (continued)

As at 31 December 2015 short-term derivative financial instruments include fair value of open electricity derivatives of RAO Nordic Oy and AB INTER RAO Lietuva held for the purposes of hedging future electricity purchases equaled to RUR 192 million (31 December 2014: RUR 967 million), RUR nil of foreign currency forward of the Parent Company and Eastern Energy Company JSC (31 December 2014: RUR 1,370 million) and RUR 24 million of short-term portion of interest rate swap of Vydmantai Wind Park UAB (31 December 2014: RUR 22 million).

As at 31 December 2015 other payables and accrued expenses included RUR 634 million of VAT on advances given by JSC INTER RAO − Electric Power Plants (31 December 2014: RUR 1,531 million) and RUR 80 million of the Group's liability for the contribution to the additional paid-in-capital of RUS Gas Turbines Holding B.V. (31 December 2014: RUR 444 million).

As at 31 December 2015 advances received included RUR 15,810 million of payments for electricity sales from customers of PJSC Mosenergosbyt, JSC PSK, LLC RN-Energo and Group Bashkir Generation Company (31 December 2014: RUR 15,105 million), RUR 2,640 million of advances received by the Parent Company from buyers of equipment in Ecuador and Venezuela (31 December 2014: RUR 4,523 million), RUR 1,773 million of advances received for construction from customers of LLC INTER RAO Engineering (31 December 2014: RUR 2,180 million) and RUR 4,494 million of advances received by Inter RAO Export for construction of power station in Ecuador in the amount of (31 December 2014: RUR nil).

As at 31 December 2015 provisions short-term included other provisions related to JSC INTER RAO − Electric Power Plants penalties on delay of fulfillment of power delivery construction contracts in the amount of RUR nil (31 December 2014: RUR 327 million), RUR 1,050 million related to the litigation against one of the Company's subsidiaries for non-compliance with the Russian legislation on competition (31 December 2014: RUR 712 million).

Movements in short-term provisions are as follows:

	Provision for legal claims	*Provision for taxes*	*Provision for income tax*	*Other provisions*	*Total*
Balance at 31 December 2013	**1,792**	**690**	**–**	**1,527**	**4,009**
Additions	1,206	104	158	1,412	**2,880**
Offset of tax prepayments	–	(505)	–	–	**(505)**
Release of provision	(2,298)	(224)	–	(1,389)	**(3,911)**
Reclassification	–	–	–	55	**55**
Unwind of discount	–	–	–	3	**3**
Translation difference	66	–	–	35	**101**
Balance at 31 December 2014	**766**	**65**	**158**	**1,643**	**2,632**
Balance at 31 December 2014	**766**	**65**	**158**	**1,643**	**2,632**
Additions	959	88	105	3,355	**4,507**
Provision used during the period	–	–	(152)	–	**(152)**
Release of provision	(579)	(116)	(3)	(1,676)	**(2,374**
Reclassification	(59)	–	–	(38)	**(97)**
Disposal of subsidiaries	(43)	–	–	(70)	**(113)**
Transfer to Other Balance Accounts	5	–	–	–	**5**
Translation difference	20	–	–	19	**39**
Balance at 31 December 2015	**1,069**	**37**	**108**	**3,233**	**4,447**

Additional provision (net of release) for the year ended 31 December 2015 in the amount of RUR 2,133 million (for the year ended 31 December 2014: release of provision RUR 1,031 million) was recognised in Other provisions within Operating expenses, net in the consolidated statement of comprehensive income.

Additional provision for income tax, net of release for the year ended 31 December 2015 in the amount of RUR 102 million (for the year ended 31 December 2014: RUR 158 million) was recognised within Income tax expense in the consolidated statement of comprehensive income.

(in millions of RUR)

21. Other non-current liabilities

	31 December 2015	*31 December 2014*
Financial liabilities		
Long-term derivative financial instruments	40	1,249
Other long-term liabilities	445	217
Total financial liabilities	**485**	**1,466**
Non-financial liabilities		
Pensions liabilities	3,996	3,668
Advances received	100	5,053
Restoration provision	1,159	586
Government grants	71	645
Other long-term liabilities	221	30
Total non-financial liabilities	**5,547**	**9,982**
Total	**6,032**	**11,448**

Long-term derivative financial instruments as at 31 December 2015 in the total amount of RUR 40 million (31 December 2014: RUR 1,249 million) are represented by the fair value of derivatives of RAO Nordic Oy and AB INTER RAO Lietuva held for the purposes of hedging future electricity purchases in the amount RUR 14 million (31 December 2014: RUR 1,216 million) in RAO Nordic Oy (Note 11) and RUR 26 million (31 December 2014: RUR 33 million) of long-term portion of interest rate swap of Vydmantai Wind Park UAB.

As at 31 December 2014 advances received included advances received by Inter RAO Export for construction of power station in Ecuador in the amount of RUR 5,042 million.

As at 31 December 2014 government grants related to loan arrangements with the Government of Armenia (see Note 5, 8, 19 (vi) and (vii)).

Restoration provision relates to rehabilitation of land plots used for ash dumps by coal powered plants of the Group. The Group has recognised an obligation to restore the disturbed plots occupied by ash dumps on expiration of their useful lives.

Restoration provision at 31 December 2013	**826**
Unwinding of discount	60
Changes in estimates of existing obligations	(245)
Reclass of short-term portion	(55)
Restoration provision at 31 December 2014	**586**
Restoration provision at 31 December 2014	**586**
Unwinding of discount	65
Changes in estimates of existing obligations	556
Reclass of short-term portion	(48)
Restoration provision at 31 December 2015	**1,159**

Discount rate used to calculate net present value of future cash outflows for land rehabilitation was 9.89% per annum in 2015 (in 2014 – in the range from 6.40% to 9.25% per annum).

Post-employment benefits

The Group provides certain post-employment benefits to their employees in accordance with labour agreements. Post-employment benefits consist of pension benefits via non state fund, lump sum payments at retirement and towards, employees' jubilees, pension benefits to non-working pensioners-veterans and funeral compensation.

These benefits generally depend on the years of service, terminal salary and amount of benefits provided under labour agreements. The Group pays post-employment benefits when they fall due.

The tables below provide information about liabilities related to pension and other post-employment benefits, plan assets and actuarial assumptions used for current and previous reporting periods.

(in millions of RUR)

21. Other non-current liabilities (continued)

Post-employment benefits (continued)

Amounts recognised in the consolidated statement of financial position:

	31 December 2015	*31 December 2014*	*31 December 2013*
Present value of defined benefit obligations	3,996	3,668	3,797
Less: fair value of plan assets	–	–	–
Deficit in plan	**3,996**	**3,668**	**3,797**
Pension liabilities in the consolidated statement of financial position	**3,996**	**3,668**	**3,797**

Amounts recognised in the consolidated statement of comprehensive income:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Current service cost	177	146
Interest cost	367	255
Recognised actuarial loss	(17)	(105)
Recognised past service cost	10	10
Total	**537**	**306**
Curtailment and settlement gain	(40)	(165)
Other	114	72
Total	**611**	**213**

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

	31 December 2015	*31 December 2014*
Present value of defined benefit obligations as at the beginning of the period	**3,668**	**3,797**
Current service cost	175	71
Interest cost	367	255
Actuarial loss	(17)	(198)
Past service cost	11	10
Benefits paid	(256)	(215)
Curtailment and settlement gain	(40)	(158)
Other	88	106
Present value of defined benefit obligations as at the end of the period	**3,996**	**3,668**

Plan assets:

	31 December 2015	*31 December 2014*
Employer contributions	256	215
Benefits paid	(256)	(215)
Fair value of plan assets as at the end of the period	–	–

Changes in the pension liabilities are as follows:

	31 December 2015	*31 December 2014*
Pension liabilities at the beginning of the year	**3,668**	**3,797**
Net expense recognised in the consolidated statement of comprehensive income	611	213
Benefits paid	(256)	(215)
Increase in liabilities as a result of acquisitions of controlling interest	–	–
Other income	(27)	(127)
Pension liabilities at the end of the period	**3,996**	**3,668**

(in millions of RUR)

21. Other non-current liabilities (continued)

Post-employment benefits (continued)

Principal actuarial assumptions are as follows:

	31 December 2015	*31 December 2014*	*31 December 2013*
Discount rate	10.33%	10.00%	7.70%
Salary increase	8.00%	8.00%	7.00%
Inflation	6.00%	6.00%	5.50%
Mortality	RUS 2013 mortality reduced by 20%	RUS 2012 mortality reduced by 20%	RUS 2011 mortality reduced by 20%

Staff turnover was assessed using an experience-based model.

The Group's best estimate of contributions to be paid in next year-long period is RUR 215 million (31 December 2014: RUR 193 million).

Sensitivity analysis as of 31 December 2015 on principal actuarial assumptions is presented below:

	Change in assumption	*Effect on defined benefit obligation*
Discount rate	+/-0.75% p.a.	248
Salary increase	+/-0.75% p.a.	76
Inflation	+/-0.75% p.a.	107
Staff turnover	+/-1.5% p.a.	134

Funded status of the pension and other post-employment and long-term obligations as well as gains arising from experience adjustments is as follows:

	31 December 2015	*31 December 2014*
Defined benefit obligation	3,996	3,668
Deficit in plan	3,996	3,668
Experience adjustments on plan liabilities, loss	–	(7)

22. Other taxes payable

	31 December 2015	*31 December 2014*
Value added tax (VAT)	5,167	4,339
Property tax	543	657
Social tax	454	382
Personal income tax	207	227
Other taxes	215	267
	6,586	**5,872**

23. Revenue

	Year ended 31 December 2015	*Year ended 31 December 2014*
Electricity and capacity	737,961	689,184
Thermal energy sales	37,977	34,388
Other revenue	29,406	17,529
	805,344	**741,101**

Other revenue for the year ended 31 December 2015 included received reimbursement from the government of the Russian Federation in the amount of RUR 13,300 million (for the year ended 31 December 2015 RUR 7,495 million) as a compensation for the difference between tariffs set for electricity supply companies in some regions of the country and the Group's cost of electricity purchases.

(in millions of RUR)

24. Other operating income

	Year ended 31 December 2015	*Year ended 31 December 2014*
Penalties and fines receivable	2,142	1,773
Income from sale of available-for-sale financial assets and assets classified as held for sale	1,365	423
Electricity derivatives	1,655	808
Rental income	441	450
Gain from disposal of Group entities (Note 5)	−	30
Other	3,052	3,759
	8,655	**7,243**

Other operating income for the year ended 31 December 2015 included: income from insurance compensation in the amount of RUR 112 million (for the year ended 31 December 2014: RUR 354 million); income due to the decision of the court on disputes of PJSC Tomskenergosbyt with the network company for 2012 in the amount of RUR 583 million; compensation of losses related to JSC INTER RAO − Electric Power Plants penalties on fulfilment of power delivery contracts in amount of RUR nil (for the year ended 31 December 2014: RUR 126 million); income from sale of equipment to Venezuela and Ecuador in the amount of RUR 680 million (for the year ended 31 December 2014: RUR 277 million); income from reassessment of property tax for previous periods in the amount of RUR nil (for the year ended 31 December 2014: RUR 890 million).

Income from sale of available-for-sale financial assets and assets classified as held for sale for the year ended 31 December 2015 also included RUR 535 million (for the year ended 31 December 2014: RUR 346 million) related to contingent consideration under the contract for sale of PJSC Enel OGK-5 ordinary shares to the consortium of investors in 2012. The structure of the deal involved the distribution of Group’s share in PJSC Enel OGK-5 income for 2012-2014 from the consortium.

25. Operating expenses, net

	Year ended 31 December 2015	*Year ended 31 December 2014*
Purchased electricity and capacity	305,461	279,212
Electricity transmission fees	198,023	184,216
Fuel expense	141,147	145,002
Employee benefit expenses and payroll taxes	47,229	42,901
Depreciation and amortisation (Note 6, 7)	22,978	21,224
Impairment of property, plant and equipment − charge (Note 6)	14,766	4,850
Repairs and maintenance	7,657	6,857
Provision for impairment of account receivables, net	6,193	5,467
Agency fees	4,872	4,261
Taxes other than income tax	3,693	3,669
Water supply expenses	2,921	2,606
Other materials for production purposes	2,863	2,528
Other provisions charge/(release) (Note 12, 20, 21)	2,134	(1,251)
Loss from electricity derivatives	1,960	912
Transportation expenses	1,944	1,599
Operating lease expenses	1,736	1,686
Thermal power transmission expenses	1,477	1,427
Consulting, legal and auditing services	1,147	1,070
Loss on sale or write-off of inventory	49	497
Impairment of available-for-sale financial assets (Note 11)	19	1,176
Cost of equipment sold	8	3
Impairment of goodwill (Note 7)	−	344
Impairment of assets classified as held-for-sale	−	180
Loss from disposal of Group entities, net (Note 5, 8)	951	−
Other	19,311	17,962
	788,539	**728,398**

(in millions of RUR)

26. Finance income and expense

	Year ended 31 December 2015	*Year ended 31 December 2014*
Finance income		
Interest income	7,455	3,754
Dividend income	1,149	961
Foreign currency exchange gain, net	2,061	–
Other finance income	1,425	353
	12,090	**5,068**

	Year ended 31 December 2015	*Year ended 31 December 2014*
Finance expenses		
Interest expense	10,242	5,310
Foreign currency exchange loss, net	–	3,280
Put and Call option agreement	–	2,577
Other finance expenses	318	1,141
	10,560	**12,308**

In June 2015 the Group received dividend income from PJSC Irkutskenergo in the amount of RUR 1,011 million (for the year 2014) and in June 2014 in the amount of RUR 787 million (for the year 2013).

The amount of RUR 2,577 million for the year ended 31 December 2014 included in Put and Call option agreement, is related to recognition of fair value change of the Put and Call option agreement with SC Vnesheconombank signed in June 2010 till the date of derecognition in October 2014 (see Note 17, 20).

For the year ended 31 December 2014 the unwinding of discount of the long-term loan from JSC Mejregionenergostroy, LLC VTB factoring (see Note 19 (iv)) in the amount of RUR 1,342 was recognised within interest expense.

For the year ended 31 December 2015 the Group recognised income from foreign currency forward and option contracts in the amount of RUR 840 million within other finance income (for the year ended 31 December 2014: expense RUR 797 million within other finance expenses).

27. Income tax expense

	Year ended 31 December 2015	*Year ended 31 December 2014*
Current tax expense	6,479	5,243
Deferred tax (benefit)/expense	(3,570)	1,832
Amended tax declaration	(82)	(9)
Provision for income tax	102	158
Income tax expense	**2,929**	**7,224**

The Parent Company's applicable tax rate is the corporate income tax rate of 20% (31 December 2014: 20%). The corporate income tax rate in Finland is 20% (31 December 2014: 20%), in Georgia is 15% (31 December 2014: 15%), in Lithuania is 15% (31 December 2014: 15%), in Kazakhstan 20% (31 December 2014: 20%). The tax system in Transdniestria Republic, Moldavia, where Moldavskaya GRES operates, is based on revenue at a rate of 11% (31 December 2014: 7%).

In accordance with tax legislation, tax losses in various Group entities in the countries where they operate may not be offset against taxable profit of other Group entities. Accordingly, profit tax may be accrued even where there is a net consolidated tax loss.

(in millions of RUR)

27. Income tax expense (continued)

Profit before tax for financial reporting purposes is reconciled to income tax expense as follows:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Profit before tax	**(26,865)**	**(16,998)**
Theoretical profit tax charge at 20% − expense	**5,373**	**3,400**
Effect of different tax rates	(113)	(407)
Effect of different tax base	530	380
Tax effect on remeasurement of put and call options and option programme	−	514
Utilisation of previously unrecognised tax losses	(2,072)	−
Tax effect of items which are not deductible or assessable for taxation purposes, net	938	2,758
Recognition of previously unrecognised temporary differences	(2,495)	164
Effect from disposal of controlling interest	−	(3)
Provision for income tax	102	158
Other	666	260
Income tax expense	**2,929**	**7,224**

28. Financial instruments and financial risk factors

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rates risk), credit risk and liquidity risk. Risk management is carried out in accordance with risk policy approved by the Management Board.

This risk policy provides principles of overall risk management and policies for specific areas, such as foreign exchange risk, and credit risk. Management considers these measures to be sufficient to control the risks within the Group's business activities.

Information on financial instruments in terms of categories is presented below:

As at 31 December 2015	*Note*	*Loans and receivables, held to maturity investments*	*Derivatives used for hedging*	*Available for sale financial assets*	*Total*
Assets as per consolidated statement of financial position					
Available-for-sale financial assets	10	−	−	5,865	**5,865**
Derivative financial instruments	11, 16	−	35	−	**35**
Trade and other receivables excluding prepayments	11, 13	73,091	−	−	**73,091**
Restricted cash	16	627	−	−	**627**
Bank deposits with maturity exceeding 3 months	11, 16	17,864	−	−	**17,864**
Bonds	16	313	−	−	**313**
Cash and cash equivalents	14	65,840	−	−	**65,840**
Total assets		**157,735**	**35**	**5,865**	**163,635**

As at 31 December 2015	*Note*	*Liabilities at fair value through profit and loss*	*Other financial liabilities at amortised cost*	*Finance lease liabilities*	*Total*
Liabilities as per consolidated statement of financial position					
Loans and borrowings (excluding finance lease liabilities)	19	−	74,605	−	**74,605**
Finance lease liabilities	19	−	−	1,724	**1,724**
Derivative financial instruments	20, 21	256	−	−	**256**
Trade and other payables excluding taxes	20, 21	−	53,578	−	**53,578**
Total liabilities		**256**	**128,183**	**1,724**	**130,163**

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

As at 31 December 2014	*Note*	*Loans and receivables, held to maturity investments*	*Derivatives used for hedging*	*Available for sale financial assets*	*Total*
Assets as per consolidated statement of financial position					
Available-for-sale financial assets	10	–	–	7,260	**7,260**
Derivative financial instruments	11, 16	–	2,681	–	**2,681**
Trade and other receivables excluding prepayments	11, 13	70,390	–	–	**70,390**
Restricted cash	16	838	–	–	**838**
Bank deposits with maturity exceeding 3 months	11, 16	6,167	–	–	**6,167**
Bonds	16	302	–	–	**302**
Cash and cash equivalents	14	75,599	–	–	**75,599**
Total assets		**153,296**	**2,681**	**7,260**	**163,237**

As at 31 December 2014	*Note*	*Liabilities at fair value through profit and loss*	*Other financial liabilities at amortised cost*	*Finance lease liabilities*	*Total*
Liabilities as per consolidated statement of financial position					
Loans and borrowings (excluding finance lease liabilities)	19	–	104,882	–	**104,882**
Finance lease liabilities	19	–	–	2,250	**2,250**
Derivative financial instruments	20, 21	3,608	–	–	**3,608**
Trade and other payables excluding taxes	20, 21	–	57,268	–	**57,268**
Total liabilities		**3,608**	**162,150**	**2,250**	**168,008**

(a) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will not be able to pay amounts in full when due. Credit risk is managed on the Group basis, as well as at the level of a particular Group entity. Financial assets which are potentially subject to credit risk are presented in the tables below net of provision for impairment and consist principally of trade and other receivables.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group's current arrangements include assessing customers' financial position, past experience and other relevant factors. Carrying amount of trade and other receivables, net of provision for impairment, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic and other factors, management believes that there is no significant risk of loss to the Group beyond the provision for impairment already recorded.

Cash is placed in financial institutions, which are considered to have minimal risk of default. Despite the fact that certain banks do not have international credit ratings they are considered as reliable counterparties that have stable positions in the financial market of the Russian Federation or other countries in which the Group entities operate.

As at 31 December 2015 receivables potentially involving credit risks for the Group consisted mainly of trade receivables in the amount of RUR 59,519 million (31 December 2014: RUR 58,037 million), and other receivables in the amount of RUR 13,572 million (31 December 2014: RUR 12,353 million). Total carrying value of receivables as at 31 December 2015 was RUR 73,091 million (as at 31 December 2014: RUR 70,390 million).

The Group's general objective in managing credit risk is to ensure continuous revenue collection and stable cash inflow as well as efficient financial assets utilisation.

Being mainly linked to trade receivables, the Group's exposure to credit risk is generally affected by quality of debtors. It is considered, that business activities among the diverse entities within the Group differ. Consequently, credit risks are specific for different types of trade receivables (residential sector, wholesale trading, etc.).

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

Due to impracticability of determining independent credit ratings for each customer and trade partner, as well as taking into account dissimilarity among different groups of them, the Group assesses credit risks allied with trade receivables based upon particular precedent experience and business relationship supported by other factors.

In order to obtain better credit risk monitoring the Group classifies receivables according to understanding of their credit risk rate. The Group makes sure that provision for impairment of accounts receivable reflects the credit risk classification in order to consistently grade and treat different groups of receivables in a similar manner.

As at 31 December 2015	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	63,137	−	63,137	60%
B’	7,541	(764)	6,777	7%
B’’	2,424	(771)	1,653	2%
B’’’	2,945	(1,769)	1,176	3%
C	29,022	(28,674)	348	28%
Total	**105,069**	**(31,978)**	**73,091**	**100%**

As at 31 December 2014	*Nominal value*	*Provision for impairment*	*Carrying amount*	*Share in total, %*
A	62,127	−	62,127	63%
B’	4,917	(338)	4,579	5%
B’’	2,435	(646)	1,789	2%
B’’’	4,736	(3,038)	1,698	5%
C	24,527	(24,330)	197	25%
Total	**98,742**	**(28,352)**	**70,390**	**100%**

The Group applies three main Credit risk Classes − A (premium), B (medium), C (low-grade).

Class A − parties with stable financial performance who have rarely allowed delayed settlement or defaulted on their financial obligations towards the Group. The credit risk related to those entities and individuals is considered minimal. No provision is applied for such receivables.

Class B − parties, whose capacity to clear their financial obligations towards the Group is to some extent affected by credit risk. This group is sequentially divided into three sub-classes:

- Class B’ − parties with satisfactory creditworthiness, where any delaying of payments has been only short-term and temporary in character, related agreements are put in place accordingly, credit risk related to those entities and individuals is considered low.
- Class B’’ − parties with poor creditworthiness, reasonably frequent delays in payments happen from time to time, there is reasonable uncertainty regarding their capacity to clear their financial obligations towards the Group. The credit risk related to those entities and individuals is considered acceptable.
- Class B’’’ − parties with unsatisfactory creditworthiness, frequent delay in payments happen or/and have systematic grounds (reasons), there is significant uncertainty regarding their capacity to clear their financial obligations towards the Group. The credit risk related to those entities and individuals is considered moderate.

The main reason behind dividing Class B into the three sub-classes is to develop a tool for more precise monitoring of the status of receivables and the outcome of credit risk-management measures employed.

Class C − parties with uncertain capacity to meet their financial obligations towards the Group. The credit risk related to those entities and individuals, mainly residential subscribers in the Russian Federation and Georgia, is considered high. The Group cannot switch off the debtors from electricity supply or reject potential debtors of this class due to social and political reasons.

Policies and procedures to address credit risk-management include participation in financial claims and court proceedings. Group entities also use a wide range of proactive credit risk-management procedures where they consider the rules of national energy markets. Such procedures include preliminary credit risk-assessment before setting up a contract or a deal.

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(b) Market risk

(i) Foreign exchange risk

Individual subsidiaries and the Group as a whole are exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than their functional currency. The currencies giving rise to this risk are primarily USD and EUR.

The Group has the following foreign-currency denominated financial assets and liabilities (these are disclosed on stand-alone basis inclusive of intercompany balances and exclusive receivables considered as net investments and liabilities related to those assets):

At 31 December 2015	***EUR***	***USD***	***Other***	***Total***
Trade and other receivables (excluding prepayments)	7,201	10,515	231	**17,947**
Cash and cash equivalents	394	5,935	144	**6,473**
Restricted cash	–	86	8	**94**
Loans and borrowings (excluding finance lease liabilities)	(3,431)	(6,239)	(563)	**(10,233)**
Finance lease liabilities	–	(1,337)	–	**(1,337)**
Trade and other payables (excluding taxes)	(754)	(3,374)	(425)	**(4,553)**
Net foreign currency position	**3,410**	**5,586**	**(605)**	**8,391**

At 31 December 2014	***EUR***	***USD***	***Other***	***Total***
Trade and other receivables (excluding prepayments)	7,149	19,884	639	**27,672**
Long-term bank deposits	69	–	–	**69**
Bank deposits with maturity of 3-12 months	–	3,094	–	**3,094**
Cash and cash equivalents	596	15,745	5	**16,346**
Restricted cash	112	108	–	**220**
Derivative financial instruments (assets)	389	–	–	**389**
Loans and borrowings (excluding finance lease liabilities)	(11,088)	(34,939)	(1,346)	**(47,373)**
Finance lease liabilities	(218)	(1,541)	–	**(1,759)**
Derivative financial instruments (liabilities)	(1,284)	(141)	–	**(1,425)**
Trade and other payables (excluding taxes)	(1,352)	(1,923)	(113)	**(3,388)**
Net foreign currency position	**(5,627)**	**287**	**(815)**	**(6,155)**

For sensitivity analysis, management estimated the reasonably possible changes in currency exchange rates based on expectations on their volatility. If currency exchange rates had weakened/strengthened within the estimated levels (see table below), with all other variables held constant, the hypothetical effect on income/(loss) and equity for the year ended 31 December 2015 would have been increase of income by RUR 2,303 million or decrease of income by RUR 2,140 million (for the year ended 31 December 2014: increase of income by RUR 5,392 million or decrease of income by RUR 4,406 million) in accordance with positive and negative scenario, respectively.

At 31 December 2015	***USD/EUR***	***RUR/USD***	***RUR/EUR***	***GEL/USD***	***GEL/EUR***
Upper level	3.03%	(26.64)%	(27.53)%	(11.18)%	(8.48)%
Lower level	(3.03)%	26.64%	27.53%	11.18%	7.80%

At 31 December 2014	***USD/EUR***	***RUR/USD***	***RUR/EUR***	***GEL/USD***	***GEL/EUR***	***AMD/USD***	***AMD/EUR***	***AMD/JPY***
Upper level	1.96%	(26.64)%	(27.53)%	(10.38)%	(8.62)%	18.35%	20.67%	14.07%
Lower level	(1.96)%	26.64%	27.53%	10.38%	8.22%	(18.35)%	(19.95)%	(15.16)%

Expected deviations are based on possible changes in exchange rates based on an analysis of recent trends.

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(ii) Interest rate risk

The Group's income/(loss) and operating cash flows are substantially independent of changes in market interest rates. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group has formal policy to determine how much of the Group's exposure is attributable to fixed or variable rates.

Variable rate debt	*31 December 2015*	*31 December 2014*
MosPrime	37,933	38,632
Libor	14,340	23,600
EURIBOR	3,633	5,235

The hypothetical effect on income/(loss) for the period due to change in basic points (bp) in the floating interest rates, with all other variables held constant:

	Deviation of LIBOR	
Hypothetical effect on income for the year ended 31 December 2015	9 bp decrease	10 bp increase
	10	(11)
Hypothetical effect on loss for the year ended 31 December 2014	4 bp decrease	5 bp increase
	7	(9)

	Deviation of EURIBOR		*Deviation of MosPrime*	
Hypothetical effect on income for the year ended 31 December 2015	5 bp decrease	5 bp increase	175 bp decrease	200 bp increase
	1	(1)	531	(607)
Hypothetical effect on loss for the year ended 31 December 2014	5 bp decrease	5 bp increase	925 bp decrease	1110 bp increase
	2	(2)	2,859	(3,431)

(c) Liquidity risk

The Group's approach to manage liquidity is to ensure, as far as possible, that it has sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking to damage the Group's reputation. The Group adopts prudent approach to liquidity risk management which implies holding a reasonable level of cash and maintaining funding available through an adequate amount of committed borrowing facilities (Note 19).

The table below analyses the Group's financial liabilities allocated to relevant maturity groupings based on remaining contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

At 31 December 2015	*Less than 1 year*	*Between 1 and 2 years*	*Between 2 and 5 years*	*Between 5 and 20 years*	*Over 20 years*	*Total*
Loans and borrowings	42,037	26,763	15,933	849	4,020	**89,602**
Trade and other payables	53,136	441	–	6	–	**53,583**
Finance lease payables	786	772	309	60	–	**1,927**
Derivative financial liabilities	216	28	12	–	–	**256**
Total	**96,175**	**28,004**	**16,254**	**915**	**4,020**	**145,368**

At 31 December 2014	*Less than 1 year*	*Between 1 and 2 years*	*Between 2 and 5 years*	*Between 5 and 20 years*	*Over 20 years*	*Total*
Loans and borrowings	50,595	34,334	40,142	3,912	4,050	**133,033**
Trade and other payables	56,955	933	6	7	26	**57,927**
Finance lease payables	1,035	647	856	52	–	**2,590**
Derivative financial liabilities	2,360	590	613	46	–	**3,609**
Total	**110,945**	**36,504**	**41,617**	**4,017**	**4,076**	**197,159**

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

(d) Capital management

The Group's objective in managing capital is to safeguard the Group's ability to continue operations on a going concern basis and to provide returns to shareholders as well as to maintain a strong capital base to provide creditors and the market with confidence in operating with the Group.

The Company monitors capital based on ratios calculated based on the statutory financial statements of PJSC Inter RAO and management accounts of its subsidiaries prepared according to local statutory requirements. The Group analyses equity and debt financing (see Notes 17 and 19 respectively). As at 31 December 2015 and 31 December 2014 the Group was in compliance with the gearing ratios imposed by loan agreements held with certain banks.

Group entities registered in the Russian Federation are individually subject to the following externally imposed capital requirements that are relevant for joint stock companies only:

- share capital cannot be lower than 1,000 minimum wages at the date of the company registration;
- if share capital is greater than its net assets, then share capital must be reduced to a value not exceeding net assets;
- if minimum allowed share capital is greater than net assets, then a liquidation procedure shall follow.

As at 31 December 2015, the Group entities registered in the Russian Federation were in compliance with the above capital requirements.

(e) Fair values

Fair value is determined either by reference to market or by discounting relevant cash flows using market interest rates for similar instruments. As a result of this exercise management believes that fair value of its financial assets and liabilities approximates their carrying amounts except for loans and borrowings. Fair value of loans and borrowings is disclosed in Note 19.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by observable current market transactions and assets and liabilities for which pricing is obtained via pricing services. In case prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. Non market observable inputs mean that fair values are determined in whole or partly using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions with the same instrument nor they are based on available market data. Main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, whereby allow situations in which there is little, if any, market activity for the financial instrument at the measurement date. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing of the financial instrument (including risk assumptions). These inputs are developed based on the best information available, which might include the Group's own data.

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(in millions of RUR)

28. Financial instruments and financial risk factors (continued)

Financial risk factors (continued)

The following table shows an analysis of financial instruments by level of the fair value hierarchy:

At 31 December 2015	*Note*	*Total fair value*	*Fair value hierarchy Level 1*	*Level 2*	*Level 3*
Financial assets					
Derivative financial instruments					
Electricity derivatives	11, 16	**35**	35	–	–
Available-for-sale financial assets					
Quoted investment securities	10	**4,159**	4,159	–	–
Held to maturity financial assets					
Long-term bank deposits	11	**80**	–	–	80
Bonds issued by financial institutions	16	**313**	313	–	–
Total financial assets		**4,587**	**4,507**	**–**	**80**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	20, 21	**206**	206	–	–
Interest rate SWAP	20, 21	**50**	–	50	–
Financial liabilities at amortised cost					
Loans and borrowings	19	**68,196**	–	68,196	–
Total financial liabilities		**68,452**	**206**	**68,246**	**–**

At 31 December 2014	*Note*	*Total fair value*	*Fair value hierarchy Level 1*	*Level 2*	*Level 3*
Financial assets					
Derivative financial instruments					
Forward foreign exchange contracts	16	**317**	317	–	–
Foreign exchange SWAP	16	**82**	–	82	–
Electricity derivatives	11, 16	**2,282**	2,282	–	–
Available-for-sale financial assets					
Quoted investment securities	10	**5,806**	5,806	–	–
Held to maturity financial assets					
Long-term bank deposits	11	**69**	–	–	69
Bonds issued by financial institutions	16	**302**	302	–	–
Total financial assets		**8,858**	**8,707**	**82**	**69**
Financial liabilities					
Derivative financial instruments					
Electricity derivatives	20, 21	**2,183**	2,183	–	–
Interest rate SWAP	20, 21	**55**	–	55	–
Forward foreign exchange contracts	20	**1,370**	1,370	–	–
Financial liabilities at amortised cost					
Loans and borrowings	19	**98,454**	–	98,454	–
Total financial liabilities		**102,062**	**3,553**	**98,509**	**–**

(in millions of RUR)

29. Operating leases

Non-cancellable operating leases are payable as follows:

	31 December 2015	*31 December 2014*
Less than one year	1,376	1,202
Between one and five years	4,719	2,744
Over five years	14,453	11,137
Total	**20,548**	**15,083**

The above table includes the Group's lease agreements relating to land plots owned by local governments. Land lease payments are determined by lease agreements. Lease agreements are concluded for different periods. Part of the lease contracts are concluded annually with the right of future prolongation.

During the year ended 31 December 2015 operating lease expenses were recognised in the amount of RUR 1,736 million in the consolidated statement of comprehensive income (for the year ended 31 December 2014: RUR 1,686 million).

30. Commitments

Investment and capital commitments

In accordance with the memorandum signed between the Group and the Government of Georgia in March 2013, the Group has to invest in projects aimed to improve the electricity network which belongs to the Group entity JSC Telasi. In accordance with memorandum the investment commitments as at 31 December 2015 are as follows:

Year	*Investments, GEL, million*
2016	24
2017-2018	33
2019-2020	37
2021-2025	112

As at 31 December 2015 realisation of investment commitments was in line with schedule for the year 2015. Exchange rate for Georgian lari to Russian rouble as at 31 December 2015 is set by National Bank of Georgia at GEL 3.28 for RUR 100.

As at 31 December 2015 JSC Stantsiya Ekibastuzskaya GRES-2 has contracted its capital commitments for construction of block 3 in the amount of RUR 6,036 million.

As at 31 December 2015 capital commitments of subsidiaries of the Company, are as follows:

Subsidiary	*RUR, million*
JSC Inter RAO − Electric Power Plants	13,954
LLC Bashkir Generation Company	10,014
JSC TGK-11	179
JSC OmskRTS	160
Total	**24,307**

Capital commitments of JSC TGK-11 mainly comprise of contractual obligation to JSC Power Machines on purchase of gas turbine and to JSC Stroytransgaz on reconstruction of ash dump.

Capital commitments of LLC Bashkir Generation Company included contractual obligations in favour of LLC Kaskad Energo and JSC ESK SOYUZ on completion of the constraction of Zatonskaya TEC, in favour of LLC Nova Terra on modernisation of water treatment plant, in favour of LLC STG-Eco on reconstruction of collectors and in favour of JSC Power Machines on purchase of energy blocks 1,2.

Capital commitments of JSC Inter RAO − Electric Power Plants as at 31 December 2015 are mainly for gas turbines and other equipment for Verkhnetagilskaya GRES (block 12) and for supply of equipment for Permskaya GRES.

(in millions of RUR)

30. Commitments (continued)

Investment and capital commitments (continued)

As at 31 December 2015 capital commitments of power generating units of JSC INTER RAO − Electric Power Plants are as follows:

Power generating units	***RUR, million***
Permskaya GRES	8,914
Verkhnetagilskaya GRES	4,041
Kostromskaya GRES	549
Cherepetskaya GRES	250
Ivanovskie PGU	200
Total	**13,954**

Guarantees

- In May 2015 the Group company entered into a bank guarantee agreement with Deutsche Bank AG for issue of guarantees as their financial support of 13 gas turbine generator bocks purchase and installation agreement between JSC Inter RAO and Bariven S.A. As at 31 December 2015 the guarantee amounted to USD 46 million, or RUR 3,380 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2015 with an interest rate of 1.5% per annum. These guarantees expire in March 2016.
- In September 2015 the Group company entered into a bank guarantee agreement with ING Bank Eurasia for their financial support of agreement between the Group and CELEC EP for construction of HPP “Toachi Pilaton” (Ecuador). As at 31 December 2015 the guarantee amounted to USD 30 million, or RUR 2,192 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2015 with an interest rate of 1.85% per annum. These guarantees expire in October 2016.
- In December 2010 the Group established together with General Electric and State Corporation Russian Technologies an associate entity, RUS Gas Turbines Holding B.V. The Group’s share in the entity is 25%. The entity was established to participate in production and sales of high-performance industrial gas turbines in the Russian Federation. The Group carries certain financial obligations to finance the associate.

  By the order of the Parent Company PJSC VTB Bank issued a StandBy Letter of Credit in favour of GE ENERGY HOLDINGS VOSTOK B.V. (Beneficiary) to the maximum aggregate amount of EUR 50 million in order to fulfill the Group’s investment obligations related to the associate at an annual interest rate of 0.45%.

  As at 31 December 2015 the financial guarantee outstanding amount was EUR 29 million, or RUR 2,320 million at the Central Bank of the Russian Federation exchange rate as of 31 December 2015 (as at 31 December 2014: EUR 32 million (or RUR 2,187 million at the Central Bank of the Russian Federation as of 31 December 2014). The guarantee expires in August 2020.
- Guarantees of the Group’s share of the joint ventures contingent liabilities in the amount of RUR 1,453 million which are to be incurred jointly with other investors.

Guarantees given under certain loans and borrowings agreements are disclosed in Note 19.

31. Contingencies

(a) Operating environment

The operations and earnings of Group entities 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 Russia, Georgia, Armenia, Moldavia (including Transdniestria Republic), Lithuania and Kazakhstan.

In 2015 the Russian economy continued to be impacted by a significant drop in crude oil prices and devaluation of the Russian Rouble, as well as unilateral political and economic restrictions imposed on Russia. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, higher cost of capital, uncertainty regarding inflation and economic growth. The impact of these factors on the future results of operations and financial position of the Company at this time is difficult to determine.

(in millions of RUR)

31. Contingencies (continued)

(b) Insurance

The unified corporate standards are established in the Group for insurance coverage, for insurance companies reliability requirements and insurance coverage procedures developed by Parent Company.

There are two types of insurance undertaken by the Group: obligatory (as required by the law or by agreement between parties) and voluntary.

Obligatory insurance includes public liability insurance of owners of dangerous facilities and public liability insurance of car owners. The Group is obligated to insure different types of property, plant and equipment under loan agreements provisions.

Voluntary insurance includes property insurance against certain risks and equipment breakdown insurance, vehicles insurance, insurance against construction and assembly risks, voluntary public liability insurance of owners of dangerous facilities against social and environmental harm risks. The Group also undertakes insurance of directors' and officials' of certain Group entities responsibilities to cover financial losses of third parties.

The Groups' assets are insured for its replacement value which is set by valuation reports for insurance purposes considering technical risks. Obligatory condition of the property insurance of foreign subsidiaries is the availability of reliable reinsurance protection, which is done by transferring part of the risk to the foreign reinsurers with high reliability ratings.

In order to optimise insurance protection management performs regular appraisal of efficiency of Group's insurance terms and rationale for new insurance products acquired.

(c) Litigation

Legal proceedings

In the normal course of business the Group is a party to legal actions and consequently had received a number of legal claims from customers with the likelihood of negative outcome for the Group as not probable, but only possible, and, consequently, no provision has been made in these financial statements:

	31 December 2015	***31 December 2014***
Subcontractors claims, including	2,733	671
joint ventures	*89*	*34*
Customer's complaints	103	79
	2,836	**750**

Other than those litigations which have been accrued in the provisions (Note 14) and disclosed above, management of the Group is unaware of any actual, pending or threatened claims as at the date of approval of these consolidated financial statements, which would have a material impact on the Group.

(d) Tax contingencies

The taxation systems in the Russian Federation and in other countries in which the Group operates are relatively new and characterised by frequent changes in legislation, official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges.

A tax year remains open for review by the tax authorities during three to five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

In addition, tax and other legislation do not address specifically all the aspects of the Group's reorganisation related to reforming of the electric utilities industry in the Russian Federation. As such there may be tax and legal challenges to the various interpretations, transactions and resolutions that were a part of the reorganisation and reform process.

These circumstances may create tax risks in the Russian Federation and in the other countries in which the Group operates. Management believes that it has adequately provided for tax liabilities based on its interpretations of applicable relevant tax legislation, official pronouncements and court decisions.

(in millions of RUR)

31. Contingencies (continued)

(d) Tax contingencies (continued)

However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Parent Company and subsidiaries in the countries where they operate have various transactions with related parties. The pricing policy could give rise to transfer pricing risks. In management's opinion, the Group is in substantial compliance with the tax laws of the countries where Group entities operate. However, relevant authorities could take different positions with regard to interpretive issues or court practice could develop adversely with respect to the positions taken by the Group and the effect could be significant.

The Group includes a number of operating and investment companies located in a number of different tax jurisdictions across Europe and the CIS. Those entities are subject to a complex variety of tax regimes and the nature of current and past trading and investment activities exposes them to areas of tax legislation involving considerable judgement and, consequently, uncertainty.

The new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian authority to apply transfer pricing adjustments and impose additional profit tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices. The list of "controlled" transactions includes transactions performed with related parties and certain types of cross-border transactions. For domestic transactions the transfer pricing rules apply only if the amount of all transaction with related party exceeds RUR 1 billion starting 2014 and thereafter. In cases where the domestic transaction resulted in an accrual of additional tax liabilities for one party, another party could correspondingly adjust its profit tax liabilities according to the special notification issued by the authorised body in due course.

The current Russian transfer pricing rules have considerably increased the compliance burden for the taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions taking place in 2012 but also to the prior transactions with related parties if related income and expenses were recognised in 2012. Special transfer pricing rules apply to transactions with securities and derivatives.

In 2015 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices (or making appropriate transfer pricing adjustments (where applicable).

Due to the uncertainty and absence of current practice of application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Company under the "controlled" transactions and assess additional tax liabilities unless the Company is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

(e) Environmental matters

Group entities operate in the electric power industry in the Russian Federation, Georgia, Armenia, Kazakhstan and Moldavia. The enforcement of environmental regulations in these countries is evolving and position of government authorities is continually being reconsidered. Group entities periodically evaluate their obligations under environmental regulations.

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

Restoration provision liabilities relate to reclamation of land plots, used for ash dumps by generating entities, which use coal for production purposes (see Note 21).

(f) Ownership of land

The current legislation in Georgia is unclear in relation to ownership issues with regard to land over which the Company's (JSC Telasi) equipment for the transmission of electricity is located. On further clarification of the law, it is possible that the Company may be required to acquire ownership over certain land plots or to pay rentals to other parties for their use. At the date of approval of these financial statements, management considers that it is not possible to quantify any additional expense, if any, which JSC Telasi might incur and consequently, no provision has been made against such potential liabilities in these financial statements.

(in millions of RUR)

32. Related party transactions

(a) Parent Company and control relationships

The Russian Federation is the ultimate controlling party of PJSC Inter RAO and has a controlling interest in the Company of over 50%. Details of operations with entities controlled by the Russian Federation are provided in Note 32 (d).

(b) Transactions with key management personnel

The members of the Management Board own 0.0137% of ordinary shares of PJSC Inter RAO as at 31 December 2015 (31 December 2014: 0.0063%).

Compensation paid to key management and members of the Board of Directors for their service in that capacity is made up of contractual salary and performance bonuses. Key management and members of the Board of Directors received the following remuneration during the period, which is included in employee benefit expenses and payroll taxes (Note 25):

	Year ended 31 December 2015	***Year ended 31 December 2014***
Salaries and bonuses	849	605

Employee's Share Option Programme

In December 2010 the Company's Board of Directors approved Share Option Programme (hereinafter referred to as "the Programme") in which members of the Management Board and other key employees of the Group were to be participants (hereinafter referred to as "the Programme participants").

The Programme participants could exercise the share option at any time during 2013-2015.

Changes in the amounts of options granted are described in the table below:

	All options granted under the Programme	***Attributed to members of the Management Board***
Number of options outstanding as at 31 December 2013	**1,267,634,375**	**655,830,000**
Options exercised during the year ended 31 December 2014	(485,800)	–
Number of options outstanding as at 31 December 2014	**1,267,148,575**	**655,830,000**
Options exercised during year ended 31 December 2015	(16,150,483)	(10,283,462)
Termination of option programme	(1,250,998,092)	(645,546,538)
Number of options outstanding as at 31 December 2015	**–**	**–**

Fair value of services received in return for share options granted to employees is measured by reference to fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Binomial model.

	31 December 2014
Weighted average price (RUR)	0.0092
Expected volatility	40.00%
Option life, years	3.9
Risk-free interest rate	6.6%
Fair value of the option at measurement date (in RUR)	0.013601241

To determine volatility the Group used the historical volatility of the market prices of the Company's publicly traded shares. No loss was recognised for the year ended 31 December 2015 within employee benefit expenses in the consolidated statement of comprehensive income related to fair value of the options agreements signed.

To implement the Share Option Programme the Company issued interest-free loans to key-management; as at 31 December 2015 the loans have been settled (31 December 2014: RUR 40 million) and option programme was closed.

(in millions of RUR)

32. Related party transactions (continued)

(c) Transactions with associates and joint ventures

Detailed list of the Group's joint ventures and associates is disclosed in Note 8. Sales to and purchases from joint ventures and associates are made at terms equivalent to those that prevail in arm's length transactions.

The Group's transactions with associates and joint ventures are disclosed below.

	Year ended 31 December 2015	*Year ended 31 December 2014*
Revenue		
Joint ventures	990	1,160
Other operating income		
Joint ventures	8	25
Associates	–	4
Interest income		
Joint ventures	68	43
Associates	2	–
Dividend income		
Joint ventures	176	341
	1,244	**1,573**
Purchased power		
Joint ventures	102	68
Purchased capacity		
Joint venture	1,040	801
Other expenses		
Joint venture	620	425
Interest expenses		
Joint venture	293	10
	2,055	**1,304**
Capital expenditures		
Joint ventures	363	1,487

	31 December 2015	*31 December 2014*
Accounts receivable		
Joint ventures	85	149
Loans issued		
Joint ventures	4,791	300
Associates	424	–
Accounts payable		
Joint ventures	127	253

(in millions of RUR)

32. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation

Sales to and purchases from entities controlled by the Russian Federation are made at terms equivalent to those that prevail in arm's length transactions.

Information on transactions with entities controlled by the Russian Federation is presented below:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Revenue		
Electricity and capacity	251,997	230,485
Other revenues	14,991	9,722
Other operating income	2,315	1,209
	269,303	**241,416**
Operating expenses		
Purchased power and capacity	72,010	66,317
Transmission fees	187,085	176,267
Fuel expense (gas)	48,158	47,435
Fuel expense (coal)	964	968
Other purchases	120	80
Other expenses	13,289	11,234
	321,626	**302,301**
Capital expenditures	**2,339**	**6,021**

	Year ended 31 December 2015	*Year ended 31 December 2014*
Finance income/(expenses)		
Interest income	1,960	857
Other finance income	35	10
Interest expenses	(1,344)	(1,833)
Put and call option agreements (Note 17)	–	(2,577)
	651	**(3,543)**

	31 December 2015	*31 December 2014*
Long-term accounts receivable		
Other account receivables	352	53
Less impairment provision	(35)	(38)
Other receivables − net	**317**	**15**
Short-term accounts receivable		
Trade accounts receivable, gross	28,344	24,092
Less impairment provision	(11,363)	(9,202)
Trade receivables − net	**16,981**	**14,890**
Advances issued	779	1,437
Advances issued for capital construction	1,019	301
Other receivables	1,491	1,073
	20,270	**17,701**

(in millions of RUR)

32. Related party transactions (continued)

(d) Transactions with entities controlled by the Russian Federation (continued)

	31 December 2015	*31 December 2014*
Accounts payable		
Trade accounts payable	24,555	25,148
Payables for capital construction	159	1,466
Other accounts payable	695	1,028
Advances received	7,011	7,271
	32,420	**34,913**

	31 December 2015	*31 December 2014*
Loans and borrowings		
Short-term loans and borrowings	13,258	27,627
Long-term loans and borrowings	8,456	21,607
Interest on loans and borrowings	1,771	261
	23,485	**49,495**

	31 December 2015	*31 December 2014*
Cash and cash equivalents	**2,806**	**9,327**

	31 December 2015	*31 December 2014*
Other current assets (bank deposits)	**14,158**	**16,997**

	Year ended 31 December 2015	*Year ended 31 December 2014*
Financial transactions		
Loans and borrowings received	37,852	28,976
Loans and borrowings repaid	(64,621)	(10,269)
	(26,769)	**18,707**

In July 2011 subsidiary of PJSC Inter RAO entered into an agreement with a state-controlled company for sale of electric power under the "take-or-pay" arrangement through 30 June 2026. The sales to and purchases from enterprises controlled by the Russian Federation are made at terms equivalent to those that prevail in arm's length transactions.

(e) Transactions with other related parties

Sales to and purchases from other related parties are made at terms equivalent to those that prevail in arm's length transactions. Amounts of transactions with other related parties (except for those controlled by the Russian Federation, associates and joint ventures), for each of the reporting periods are provided below:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Revenue		
Electricity and capacity	4,922	3,214
Dividends received	1,018	787
	5,940	**4,001**
Operating expenses		
Purchased electricity and capacity	3,865	3,130

(in millions of RUR)

32. Related party transactions (continued)

(e) Transactions with other related parties (continued)

	31 December 2015	*31 December 2014*
Short-term accounts receivable		
Trade and other accounts receivable	362	248
Short-term accounts payable		
Trade and other accounts payable	96	134

	31 December 2015	*31 December 2014*
Loans and borrowings payable		
Long-term loans and borrowings	4,044	9,033
Short-term loans and borrowings	3,810	3,560
	7,854	**12,593**

	31 December 2015	*31 December 2014*
Cash and cash equivalents		
Cash in bank	7,812	13,910
Short-term bank deposits	3,335	7,788
	11,147	**21,698**

	Year ended 31 December 2015	*Year ended 31 December 2014*
Income and expenses		
Interest income	1,157	1,087
Interest expenses	(1,145)	(510)

(in millions of RUR)

33. Significant subsidiaries

Significant subsidiaries consolidated in the Group's consolidated financial statements are disclosed in the table below:

	Country of incorporation	*31 December 2015 ownership/ voting*	*31 December 2014 ownership/ voting*
Trading entities			
RAO Nordic Oy[1]	Finland	100.00%	100.00%
AB INTER RAO Lietuva[1]	Lithuania	51.00%	51.00%
Distributing entities			
JSC Telasi	Georgia	75.11%	75.11%
CJSC Elektricheskiye seti Armenii (Note 5)	Armenia	50.00%	100.00%
Supply entities			
PJSC Mosenergosbyt (group of companies) (Note 5)	The Russian Federation	93.99%	50.92%
JSC PSK	The Russian Federation	100.00%	100.00%
PJSC Tambov Energy Retailing Company	The Russian Federation	59.38%	59.38%
PJSC Saratovenergo	The Russian Federation	56.97%	56.97%
JSC Altayenergosbyt	The Russian Federation	100.00%	100.00%
LLC RN − Energo	The Russian Federation	100.00%	100.00%
PJSC Tomskenergosbyt (Note 5)	The Russian Federation	89.42%	59.18%
Generating entities			
Mtkvari Energy LLC	Georgia	100.00%	100.00%
CJSC Moldavskaya GRES	Moldavia, Transdniestria Republic	100.00%	100.00%
JSC INTER RAO − Electric Power Plants	The Russian Federation	100.00%	100.00%
JSC Khramhesi GES I	Georgia	100.00%	100.00%
JSC Khramhesi GES II	Georgia	100.00%	100.00%
JSC TGK-11 (group of companies)	The Russian Federation	100.00%	100.00%
LLC Bashkir Generation Company	The Russian Federation	100.00%	100.00%
LLC Bashkir Heat Distribution Grid	The Russian Federation	100.00%	100.00%
JSC RazTES (Note 5)	Armenia	50.00%	100.00%
Trakya Elektrik Uterim Ve Ticaret A.S. (Note 5)	Turkey	100.00%	100.00%
Other entities			
CJSC INTER RAO UES Capital	The Russian Federation	100.00%	100.00%
LLC INTER RAO − Procurement Centre	The Russian Federation	100.00%	100.00%
JSC Eastern energy company	The Russian Federation	100.00%	100.00%
JSC Electrolutch	The Russian Federation	100.00%	100.00%
LLC Kvarz Group (Note 5)	The Russian Federation	100.00%	100.00%
INTER RAO Credit B.V.	Netherlands	100.00%	100.00%

[1] RAO Nordic Oy and AB INTER RAO Lietuva also act as holding companies for certain Group entities.

(in millions of RUR)

33. Significant subsidiaries (continued)

Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations for the year ended 31 December 2015, including amounts related to both: shareholders and non-controlling interest:

	PJSC Mosenergosbyt (group of companies)	*AB INTER RAO Lietuva*	*JSC Telasi*	*PJSC Tambov Energy Retailing Company*	*PJSC Saratovenergo*	*PJSC Tomsk-energosbyt*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**6.01%**	**49.00%**	**24.89%**	**40.62%**	**43.03%**	**10.58%**		
Non-current assets	6,995	980	5,649	163	54	904	1,818	**16,563**
Current assets	38,765	2,658	2,371	679	2,590	1,447	1,097	**49,607**
Non-current liabilities	(672)	(13)	(967)	(20)	(180)	–	(1,190)	**(3,042)**
Current liabilities	(36,406)	(1,847)	(3,625)	(646)	(3,162)	(1,548)	(914)	**(48,148)**
Net assets	**8,682**	**1,778**	**3,428**	**176**	**(698)**	**803**	**811**	**14,980**
Carrying amount of non-controlling interest at 31 December 2015	**(556)**	**(871)**	**(1,028)**	**(72)**	**56**	**(85)**	**(149)**	**(2,705)**
Revenue	268,085	10,673	8,704	4,574	16,909	12,893	6,841	**328,679**
Profit/(loss) for the period	1,048	1,111	184	(2)	213	809	158	**3,521**
Total comprehensive income for the year ended 31 December 2015	**1,003**	**1,111**	**190**	**–**	**214**	**809**	**158**	**3,485**
Profit allocated to non-controlling interest	**131**	**545**	**46**	**7**	**91**	**327**	**74**	**1,221**
Cash flows from operating activities	6,559	1,042	1,067	100	(243)	310	288	**9,123**
Cash flows used for investing activities	(15,439)	4	(824)	6	(5)	(102)	11	**(16,349)**
Cash flows used for financing activities before dividends to non-controlling interest	(605)	(547)	(808)	–	249	(7)	(258)	**(1,976)**
Net (decrease)/increase in cash and cash equivalents for the year ended 31 December 2015	**(9,485)**	**499**	**(565)**	**106**	**1**	**201**	**41**	**(9,202)**
Cash flows used for financing activities – cash dividends to non-controlling interest	(15)	(153)	(59)	–	–	–	–	**(227)**

(in millions of RUR)

33. Significant subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations for the year ended 31 December 2014, including amounts related to both: shareholders and non-controlling interest:

	PJSC Mosenergosbyt (group of companies)	*AB INTER RAO Lietuva*	*JSC Telasi*	*PJSC Tambov Energy Retailing Company*	*PJSC Saratovenergo*	*PJSC Tomsk-energosbyt*	*Other individually immaterial subsidiaries*	*Total*
Non-controlling interest (percentage)	**49.08%**	**49.00%**	**24.89%**	**40.62%**	**43.03%**	**40.82%**		
Non-current assets	6,658	854	4,928	171	73	881	1,751	**15,316**
Current assets	32,515	1,928	3,051	496	1,870	1,381	898	**42,139**
Non-current liabilities	(617)	–	(1,160)	(20)	(143)	–	(1,249)	**(3,189)**
Current liabilities	(30,945)	(1,603)	(3,371)	(473)	(2,713)	(2,268)	(942)	**(42,315)**
Net assets	**7,611**	**1,179**	**3,448**	**174**	**(913)**	**(6)**	**458**	**11,951**
Carrying amount of non-controlling interest at 31 December 2014	**(3,823)**	**(578)**	**(1,033)**	**(63)**	**148**	**2**	**(1)**	**(5,348)**
Revenue	256,534	9,726	6,126	4,802	16,886	12,053	6,327	**312,454**
Profit/(loss) for the period	1,317	585	600	12	(485)	746	24	**2,799**
Total comprehensive income/(loss) for the year ended 31 December 2014	**1,255**	**585**	**598**	**11**	**(477)**	**746**	**24**	**2,742**
Profit/(loss) allocated to non-controlling interest	**1,465**	**287**	**150**	**5**	**(209)**	**304**	**(65)**	**1,937**
Cash flows from operating activities	6,393	675	178	148	165	1,338	108	**9,005**
Cash flows used for investing activities	(496)	(8)	(311)	4	(7)	8	37	**(773)**
Cash flows used for financing activities before dividends to non-controlling interest	(306)	(292)	(72)	(21)	(164)	(831)	(240)	**(1,926)**
Net increase/(decrease) in cash and cash equivalents for the year ended 31 December 2014	**5,591**	**375**	**(205)**	**131**	**(6)**	**515**	**(95)**	**6,306**
Cash flows used for financing activities − cash dividends to non-controlling interest	(169)	(38)	–	–	–	–	(19)	**(226)**

(in millions of RUR)

34. Events after the reporting period

Share option programme

In February 2016 the Parent Company's Board of Directors approved the Share option programme for the key managers of the Parent Company. The total number of shares, participating in the Programme, is 2% of the company's share capital. The duration of the Programme is 2 years starting from the date of its approval by the Board of Directors.