

**OJSC INTERREGIONAL DISTRIBUTION GRID
COMPANY OF CENTER AND VOLGA REGION
CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTH ENDED 30 JUNE 2012
(UNAUDITED)**

OJSC IDGC of Center and Volga Region

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OJSC IDGC of Center and Volga Region
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	7	54,688,747	54,291,751
Intangible assets		491,052	472,339
Other investments		525,589	538,940
Other non-current assets		52,978	77,097
Total non-current assets		55,758,366	55,380,127
Current assets			
Inventories		1,507,044	994,768
Other investments		2,029,330	2,455,952
Income tax receivable		52,375	547,508
Trade and other receivables		7,479,449	5,591,021
Prepayments for current assets		186,798	166,001
Cash and cash equivalents		2,083,441	3,928,491
Total current assets		13,338,437	13,683,741
TOTAL ASSETS		69,096,803	69,063,868
EQUITY AND LIABILITIES			
Share capital	8	11,269,782	11,269,782
Reserves		20,977	26,955
Retained earnings		21,727,975	21,824,540
Total equity attributable to equity holders of the Company		33,018,734	33,121,277
Non-controlling interest		8,751	11,157
Total equity		33,027,485	33,132,434
Non-current liabilities			
Deferred income tax liabilities		2,741,605	3,214,693
Employee benefits		1,497,155	1,382,429
Loans and borrowings	9	20,268,596	21,373,544
Trade and other payables		1,073,481	809,482
Total non-current liabilities		25,580,837	26,780,148
Current liabilities			
Loans and borrowings	9	1,387,307	1,776,129
Trade and other payables		8,126,043	6,706,469
Income tax payable		70,396	729
Current tax liabilities		904,735	667,959
Total current liabilities		10,488,481	9,151,286
Total liabilities		36,069,318	35,931,434
TOTAL EQUITY AND LIABILITIES		69,096,803	69,063,868

These consolidated interim condensed financial statements were approved by management on 5 September 2012 and were signed on its behalf by:

Director General

Ushakov E.V.



Chief Accountant

Rodionova I.U.

OJSC IDGC of Center and Volga Region
Consolidated Interim Condensed Statement of Comprehensive Income for the six months ended
30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Six month ended 30 June 2012	Six month ended 30 June 2011
Revenue	10	29,298,420	33,312,548
Operating expenses	11	(28,021,391)	(29,205,890)
Other income and expenses, net		85,930	116,650
Operating profit		1,362,959	4,223,308
Finance income		127,117	85,456
Finance costs		(933,781)	(516,845)
Share of profit/(loss) of equity accounted investee (net of income tax)		-	12
Profit before income tax		556,295	3,791,931
Income tax expense		(339,441)	(931,831)
Profit for the period		216,854	2,860,100
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(7,472)	(12,153)
Income tax on other comprehensive income		1,494	2,431
Other comprehensive income for the period, net of income tax		(5,978)	(9,722)
Total comprehensive income for the period		210,876	2,850,378
Profit attributable to:			
Shareholders of the Company		218,989	2,860,653
Non-controlling interest		(2,135)	(553)
Total comprehensive income attributable to:			
Shareholders of the Company		213,011	2,850,931
Non-controlling interest		(2,135)	(553)
Earnings per share			
Earnings per share – basic and diluted (in Russian roubles)	8	0.0019	0.0254

The consolidated interim condensed statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17.

OJSC IDGC of Center and Volga Region
Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2012
(Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Notes	Six month ended 30 June 2012	Six month ended 30 June 2011
OPERATING ACTIVITIES:		
Profit before income tax	556,295	3,791,931
Adjustments for:		
Depreciation and amortisation	2,658,290	1,938,877
Allowance for impairment of accounts receivable	1,050,891	(55,151)
Finance costs, net	806,665	431,389
Gain on disposal of property, plant and equipment	1,502	(133,243)
Accounts payable written-off	(217)	(32)
Income from surplus of assets	(24)	(38)
Adjustment for other non-cash transactions	278	(3,897)
Cash from operating activities before changes in working capital	5,073,680	5,969,836
Working capital changes:		
Change in trade and other receivables	(2,908,517)	(120,546)
Change in prepayments for current assets	(20,112)	(371,225)
Change in inventories	(505,799)	(536,661)
Change in financial assets related to employee benefit fund	5,630	1,799
Change in trade and other payables	865,834	798,938
Change in employee benefits	114,726	74,776
Change in taxes payable other than income	243,689	364,043
Cash flows from operations before income taxes and interest paid	2,869,131	6,180,960
Income tax paid	(252,964)	(852,493)
Interest paid	(1,020,682)	(581,543)
Net cash flows from operating activities	1,595,485	4,746,924
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment and intangible assets	(2,546,960)	(3,826,277)
Proceeds from sale of property, plant and equipment	25,642	126,552
Interest received	42,685	41,119
Proceeds from disposal of other investments	511,054	14,087
Net cash flows used in investing activities	(1,967,579)	(3,644,519)
FINANCING ACTIVITIES:		
Proceeds from loans and borrowings	-	1,705,478
Repayment of loans and borrowings	(1,463,380)	(818,544)
Dividends paid	(127)	-
Payment of finance lease liabilities	(9,449)	(22,609)
Net cash flows from/(used in) financing activities	(1,472,956)	864,325
Net increase in cash and cash equivalents	(1,845,050)	1,966,730
Cash and cash equivalents at 1 January	3,928,491	3,178,751
Cash and cash equivalents at 30 June	2,083,441	5,145,481

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17.

OJSC IDGC of Center and Volga Region
Consolidated Interim Condensed Statement Of Changes In Equity for the six months ended
30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	Available-for-sale investments revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011	11,269,782	45,985	17,442,763	28,758,530	-	28,758,530
Effect on changes in non-controlling interest	-	-	-	-	800	800
Profit for the period	-	-	2,860,653	2,860,653	(553)	2,860,100
Other comprehensive income	-	(9,722)	-	(9,722)	-	(9,722)
Total comprehensive income for the period	-	-	-	2,850,931	(553)	2,850,378
Dividends	-	-	(141,000)	(141,000)	-	(141,000)
Balance at 30 June 2011	11,269,782	36,263	20,162,416	31,468,461	247	31,468,708
Balance at 1 January 2012	11,269,782	26,955	21,824,540	33,121,277	11,157	33,132,434
Profit for the period	-	-	218,989	218,989	(2,135)	216,854
Other comprehensive income	-	(5,978)	-	(5,978)	-	(5,978)
Total comprehensive income for the period	-	-	-	213,011	(2,135)	210,876
Dividends	-	-	(315,554)	(315,554)	(271)	(315,825)
Balance at 30 June 2012	11,269,782	20,977	21,727,975	33,018,734	8,751	33,027,485

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 17.

OJSC IDGC of Center and Volga Region
Notes of the Consolidated Interim Condensed Financial Statements for the six months ended
30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 1. Background

(a) The Group and its operations

Open Joint-Stock Company “Interregional Distribution Grid Company of Center and Volga Region” (hereafter, the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian open joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 28 June 2007 based on Resolution no. 193p of 22 June 2007 and pursuant to the Board of Directors’ decision (board of directors’ meeting minutes no. 250 of 27 April 2007) of the Russian Open Joint-Stock Company RAO “United Energy Systems of Russia” (hereafter, “RAO UES”).

The Company’s registered office is Rozhdestvenskaya Street, Nizhniy Novgorod, 603950, Russian Federation.

The Group’s principal activity is the transmission and distribution of electricity and the connection of customers to the electricity grid.

The Group consists of the Company and its subsidiaries:

Name	30 June 2012 % owned	31 December 2011 % owned
OJSC “Luchinskoye Agricultural Enterprise”	100.00	100.00
OJSC “Motor Vehicle Plant”	100.00	100.00
OJSC “Berendeyevskoye”	100.00	100.00
CJSC “Svet”	100.00	100.00
OJSC “Energetik Sanatorium-Preventorium”	100.00	100.00
OJSC “Interregional energoservice company “Energoefficiency technologies”	51.00	51.00

In December 2010 the Company established a subsidiary OJSC “Interregional energoservice company“ Energoefficiency technologies” (further OJSC“ IEC “Energoefficiency technologies”). The Company owned 51 % shares of OJSC “IEC “Energoefficiency technologies”. The contribution to the share capital was performed by cash in January 2011.

As at 30 June 2012 the Government of the Russian Federation owned 55.95% of the voting ordinary shares and 7.01 % of the preference shares of IDGC Holding (31 December 2011: 55.99% of the voting ordinary shares and 7.01 % of the preference shares), which in turn owned 50.40% of the Company (31 December 2011: 50.40%).

The Government of the Russian Federation influences the Group’s activities through setting power transmission and distribution tariffs.

(b) Russian business environment

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

Note 2. Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

OJSC IDGC of Center and Volga Region
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30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(d) Use of judgments and estimates

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

In preparing these consolidated interim condensed financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Note 3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

Accounting for defined benefit post-employment plans

Pension costs for an interim period are calculated by using actuarially determined pension liabilities calculated at the end of the prior financial year adjusted for the significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

Note 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Note 5. Operating segments

The Management Board of the Company has been determined as the Group is Chief Operating Decision-Maker.

The Group's primary activity is the provision of electricity transmission services within regions of the Russian Federation. The internal management reporting system is based on segments relating to electric energy transmission in separate regions of the Russian Federation (branches of the Company) and segments relating to other activities (represented by separate legal entities).

The Management Board regularly evaluates and analyzes the financial information of the segments reported in statutory financial statements of respective segments.

In accordance with requirements of IFRS 8 based on the information on segment revenue, profit before income tax and total assets reported to Management Board the following reportable segments were identified:

- Transmission Segments - Ivanovo region, Kaluga region, Kirov region, Mari El region, Nizhniy Novgorod region, Ryazan region, Tula region, Udmurtiya region, Vladimir region – branches of IDGC of Center and Volga Region;
- Other Segments – other Group companies.

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

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues and profit before income tax, as included in the internal management reports that are reviewed by the Management Board. Segment profit is used to measure performance as management believes that such

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information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

OJSC IDGC of Center and Volga Region
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30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(i) Information about reportable segments for the six months ended 30 June 2012

	Transmission										Total
	Nizhniy Novgorod region	Vladimir region	Tula region	Kaluga region	Kirov region	Udmurtiya region	Mari El region	Ivanovo region	Ryazan region	Other	
Power transmitting	7,674,220	3,419,445	3,566,156	2,891,875	2,863,346	2,963,772	1,696,597	1,061,984	2,514,836	13,771	28,666,002
Connection to the power network	38,083	127,236	9,409	165,047	16,477	6,821	6,505	14,187	29,699	3	413,467
Other revenue	19,999	8,263	19,905	28,733	29,575	19,145	10,160	7,187	11,541	386,813	541,321
Total segment revenues	7,732,302	3,554,944	3,595,470	3,085,655	2,909,398	2,989,738	1,713,262	1,083,358	2,556,076	400,587	29,620,790
Segment profit/(loss) before income tax	159,145	303,171	399,905	428,832	(38,796)	231,016	(317,192)	(37,276)	122,923	(16,843)	1,234,885
Segment assets	24,414,725	6,820,839	13,039,408	9,412,595	3,948,855	4,488,490	2,044,815	3,588,010	6,899,540	611,312	75,268,589
<i>Including property, plant and equipment</i>	22,463,337	5,365,965	10,680,964	8,653,562	3,263,614	3,868,166	1,535,150	2,877,485	6,322,113	377,864	65,408,220

(ii) Information about reportable segments for the six months ended 30 June 2011

	Transmission										Total
	Nizhniy Novgorod region	Vladimir region	Tula region	Kaluga region	Kirov region	Udmurtiya region	Mari El region	Ivanovo region	Ryazan region	Other	
Power transmitting	11,267,479	3,309,280	3,769,944	3,055,299	2,732,211	3,326,865	1,434,150	998,956	2,801,126	13,929	32,709,239
Connection to the power network	47,855	40,609	9,339	176,347	32,086	1,088	18,238	7,583	31,946	-	365,091
Other revenue	22,608	7,232	25,477	32,044	17,378	24,561	8,760	7,259	27,822	369,739	542,880
Total segment revenues	11,337,942	3,357,121	3,804,760	3,263,690	2,781,675	3,352,514	1,461,148	1,013,798	2,860,894	383,668	33,617,210
Segment profit/(loss) before income tax	1,065,934	255,636	855,191	705,903	(5,026)	518,288	251,294	(53,213)	353,209	1,417	3,948,633
Segment assets	23,092,490	5,485,927	9,473,332	7,908,951	3,798,267	4,270,458	2,176,676	2,875,870	6,425,510	583,415	66,090,896
<i>Including property, plant and equipment</i>	19,625,958	4,671,473	7,789,588	7,105,213	2,976,531	3,591,444	1,435,780	2,530,419	5,945,708	370,991	56,043,105

OJSC IDGC of Center and Volga Region
Notes of the Consolidated Interim Condensed Financial Statements for the six months ended
30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

(iii) Reconciliations of reportable segment profit and loss

Reconciliation of reportable segment profit and loss measured as reported to the Management Board with similar item in these Financial Statements is presented in the table below.

Reconciliation of profit before income tax:

	Six months ended	Six months ended
	30 June 2012	30 June 2011
Total profit before income tax for reportable segments	1,234,885	3,948,633
Adjustment for depreciation of property, plant and equipment	(208,405)	64,664
Adjustment for allowance for impairment of debt	26,984	48,083
Adjustment for accrued liabilities	(461,541)	-
Retirement benefit obligations recognition	(120,356)	(46,326)
Other adjustments	23,681	(229,075)
Unallocated amounts	71,746	16,086
Other adjustments	(10,699)	(10,134)
Profit before tax per Statement of Comprehensive Income	556,295	3,791,931

The Group performs its activities in the Russian Federation and does not have any revenues from foreign customers or non-current assets located in foreign countries.

Note 6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

OJSC IDGC of Center and Volga Region
Notes of the Consolidated Interim Condensed Financial Statements for the six months ended
30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 7. Property, plant and equipment

	Land and buildings	Transmission networks	Equipment for electricity transmission	Construction in progress	Other	Total
Balance at 31 December 2010	5,337,472	26,277,338	14,381,278	6,404,343	7,647,488	60,047,919
Additions	526	1,440	7,715	4,029,577	610,054	4,649,312
Transfer	105,567	838,502	417,771	(1,419,017)	57,177	-
Disposals	(6,386)	(6,587)	(9,328)	(4,565)	(37,229)	(64,095)
Balance at 30 June 2011	5,437,179	27,110,693	14,797,436	9,010,338	8,277,490	64,633,136

Depreciation

Balance at 31 December 2010	(916,418)	(7,814,767)	(3,786,675)	-	(2,394,949)	(14,912,809)
Depreciation charge	(136,663)	(906,084)	(456,108)	-	(431,101)	(1,929,956)
Disposals	751	5,442	9,271	-	33,425	48,889
Balance at 30 June 2011	(1,052,330)	(8,715,409)	(4,233,512)	-	(2,792,625)	(16,793,876)

Net book value

At 31 December 2010	4,421,054	18,462,571	10,594,603	6,404,343	5,252,539	45,135,110
At 30 June 2011	4,384,849	18,395,284	10,563,924	9,010,338	5,484,865	47,839,260

	Land and buildings	Transmission networks	Equipment for electricity transmission	Construction in progress	Other	Total
Balance at 31 December 2011	6,353,216	31,313,235	20,492,807	5,683,721	9,541,912	73,384,891
Additions	54	1,880	10,735	2,917,358	140,993	3,071,020
Transfer	24,817	872,160	698,254	(1,638,448)	43,217	-
Disposals	(16,891)	(1,125)	(7,384)	(2,301)	(27,429)	(55,130)
Balance at 30 June 2012	6,361,196	32,186,150	21,194,412	6,960,330	9,698,693	76,400,781

Depreciation

Balance at 31 December 2011	(1,148,569)	(9,760,772)	(4,886,763)	-	(3,297,036)	(19,093,140)
Depreciation charge	(210,665)	(1,240,214)	(633,230)	-	(559,609)	(2,643,718)
Disposals	3,539	857	4,510	-	15,918	24,824
Balance at 30 June 2012	(1,355,695)	(11,000,129)	(5,515,483)	-	(3,840,727)	(21,712,034)

Net book value

At 31 December 2011	5,204,647	21,552,463	15,606,044	5,683,721	6,244,876	54,291,751
At 30 June 2012	5,005,501	21,186,021	15,678,929	6,960,330	5,857,966	54,688,747

OJSC IDGC of Center and Volga Region
Notes of the Consolidated Interim Condensed Financial Statements for the six months ended
30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Note 8. Equity

Share capital

	30 June 2012	31 December 2011
Number of ordinary shares authorised, issued and fully paid	112,697,817,043	112,697,817,043
Par value (in RUB)	0.10	0.10
Total share capital (in RUB)	11,269,781,704	11,269,781,704

Dividends paid and declared

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2012 the Company had retained earnings, including the profit for the current period, of RUB 9,014,372 thousand (as at 31 December 2012: RUB 8,946,994 thousand).

At the annual shareholders meeting held on 22 June 2012 the decision was made to declare dividends of RUB 315,554 thousand for the year 2011 (In 2010: RUB 141,000 thousand for the year 2009).

Dividends per share as at 30 June 2012 were RUB 0.0028 (31 December 2011: RUB 0.0013).

Earnings per share

The calculation of earnings per share is based upon the profit for the current period and the outstanding number of ordinary shares. The Company has no dilutive potential ordinary shares.

	30 June 2012	30 June 2011
Weighted average number of ordinary shares issued	112,697,817,043	112,697,817,043
Profit attributable to the shareholders	216,854	2,860,653
Weighted average earnings per ordinary share – basic and diluted (in RUB)	0.0019	0.0254

Note 9. Loans and borrowings

Non-current borrowings

	Effective interest rate, %	Currency	Year of maturity	30 June 2012	31 December 2011
Loans and borrowings					
including:					
OJSC Sberbank	7.51	RUB	2016	2,300,000	2,300,000
OJSC Gazprombank	8.5-10.1	RUB	2012-2018	12,129,705	13,285,415
OJSC Sviaz-Bank	7.92-10.1	RUB	2012-2015	4,855,211	4,943,933
Barclays Bank	7.65-7.92	RUB	2013-2014	2,000,000	2,000,000
OJSC Rosselkhozbank	16	RUB	2012	820	1,639
Promissory notes	10	RUB	2012	-	87,862
Non-current finance lease liability				-	767
Total non-current debt				21,285,736	22,619,616
Less current portion of non-current loans				(1,017,140)	(1,246,072)
Total				20,268,596	21,373,544

OJSC IDGC of Center and Volga Region
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30 June 2012 (Unaudited)

(in thousands of Russian Roubles, unless otherwise stated)

Current borrowings

Creditor	Effective interest rate, %	Currency	30 June 2012	31 December 2011
Current borrowings				
including:				
OJSC Gazprombank	8.5-10.1	RUB	26,034	31,045
OJSC Sviaz-Bank	7.92-10.1	RUB	384	637
Promissory notes	10.0	RUB	332,430	477,767
Current portion of non-current loans		RUB	1,017,140	1,246,072
Current finance lease liability			11,319	20,608
Total			1,387,307	1,776,129

Note 10. Revenue

	Six month ended 30 June 2012	Six month ended 30 June 2011
Electricity transmission	28,652,332	32,695,344
Connection services	413,464	365,091
Other revenue	232,624	252,113
Total	29,298,420	33,312,548

Other revenues are comprised of repair, construction, maintenance services, rent services and transport services.

Note 11. Operating expenses

	Six month ended 30 June 2012	Six month ended 30 June 2011
Electricity transmission	11,504,478	11,564,237
Personnel costs	6,040,492	6,030,550
Purchased electricity	3,517,947	6,581,438
Depreciation and amortisation	2,658,290	1,938,877
Allowance for impairment of debts	1,050,891	(55,151)
Materials	777,136	709,592
Repair and maintenance	572,085	898,596
Consulting, legal and audit services	256,823	307,368
Electricity and heat power for own needs	214,765	247,999
Management fee	136,397	136,397
Rent	130,873	124,568
Taxes other than income tax	117,880	101,269
Insurance	102,456	99,438
Security services	90,567	92,201
Electricity metering services	71,047	73,596
Communication services	75,890	64,474
Land surveying	13,668	46,339
Transportation expenses	14,205	24,903
Social expenditures and charity expenses	10,330	18,713
Bank commission	8,002	10,057
Gain on the disposal of property, plant and equipment	1,502	(133,243)
Other expenses	655,667	323,672
Total	28,021,391	29,205,890

Note 12. Related parties

(a) Control relationships

As at 30 June 2012 and 31 December 2011 IDGC Holding was the parent company of the Company.

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The party with ultimate control over the Company is the Government of the Russian Federation, which held the majority of the voting rights of IDGC Holding.

(b) Transactions with the parent and entities under common control of the parent

Transactions with the Parent's subsidiaries and associates were as follows:

	Six months ended	Six months ended
	30 June 2012	30 June 2011
Expenses	136,397	136,397
Other expenses	136,397	136,397

All outstanding balances with related parties are to be settled in cash within a year of the Statement of financial position date. None of the balances are secured.

Balances on settlements were as follows:

	30 June 2012	31 December 2011
Accounts receivable and prepayments	5,196	17,181
Less: Allowance for impairment of debts	-	-
Accounts payable and accrued liabilities	(16,278)	(16,095)

Related party revenue for electricity transmission and connection services is based on the tariffs determined by the Government; other related party transmissions are based on normal market prices.

(c) Transactions with other state controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control. Prices for electricity and heat are based on tariffs set by the Federal Service on Tariffs and the regional services on tariffs. Bank loans are provided on the basis of market rates.

Estimate of the important transaction of the Group with other entities under Government control were as follows:

- revenue from transaction with other entities under Government control less than 1% during the six months ended 30 June 2012 of the total amount of revenue (six months ended 30 June 2011: 2.4%)
- operating expenses received from other entities under Government control is approximately 33% during the six months ended 30 June 2012 of total amount of operating expenses received from entities (six months ended 30 June 2011: 34%)

The Group had the following significant loans and borrowings balances with state-controlled entities:

	30 June 2012	31 December 2011
Loans and borrowings	(19,311,334)	(20,561,030)

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(d) Transactions with management and close family members

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

Compensation is paid to members of the Board of Directors and Top management for their services in full time management positions. The compensation is made up of a contractual salary, non-cash benefits, and performance bonuses depending on results for the period according to Russian statutory financial statements.

Members of the Board of Directors and the Top management of the Group received the following remuneration:

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Members of Board of Directors	Top management	Members of Board of Directors	Top management
Salaries and bonuses	16,746	179,281	9,062	61,258

Note 13. Commitments

Capital commitments

As at 30 June 2012 the Group has outstanding commitments under contracts for the purchase and construction of property, plant and equipment for RUB 6,201,950 thousand (as at 31 December 2011: RUB 7,049,210 thousand).

Note 14. Contingencies

Insurance

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

Legal proceedings

The Group is a party to certain legal proceedings arising in the ordinary course of business. Management believes that it has provided adequately for all Group liabilities based on its assessment of the possible decision on the litigation with counterparties.

Taxation

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

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

Environmental matters

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

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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.

Other contingencies

The Group believes that all Group's sales arrangements are generally in compliance with the Russian legislation regulating electric power transmission. However, based on uncertainty of legislation that regulates the lease of Unified National Electricity Network property ("last-mile") by the Group there is a risk that customers may challenge that the Group has no legal ground to invoice them and hence recognize revenue for electric power transmission services provided via leased "last-mile" grids and courts agree with the customers' view. The potential amount of such claims could be significant, but cannot be reliably estimated as each claim would have individual legal circumstances and respective estimation would be based on variety of assumptions and judgments, which makes it impracticable. The Group did not recognize as at the reporting date any provision for those actual and potential claims as it believes that it is not probable that related outflow of resources or decrease of benefits inflow will take place. The Group believes that expected changes in legislation will further reduce the level of risk.

Note 14. Events subsequent to the reporting date

In June 2012 the Company decided to issue one series of bonds to the number of 4,000,000, a nominal value of 1,000 rubles. The issue was registered in July 2012, the coupon rate is not currently defined.