Appendix No. 1 Consolidated financial statements under IFRS for the year that ended on December 31, 2018

INDEPENDENT AUDITOR'S OPINION

To Shareholders and Board of Directors of Public Joint-Stock Company Interregional Distribution Grid Company of Siberia.

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company Interregional Distribution Grid Company of Siberia and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, consolidated financial position of the Group as of December 31, 2018 and its consolidated financial performance and its consolidated cash flows for 2018 in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA).

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters.

Accordingly, our audit included performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How audit addressed the matter
Recognition and measurement of revenue from electricity transmission services	
Recognition and measurement of revenue from electricity transmission services was one of the most significant matters for our audit due to certain specifics of the electricity market mechanisms that give rise to the existence of disagreements among electricity supply, utilities, and other companies in relation to the volume and cost of the transmitted electricity. The amount of revenue challenged by counterparties is material to the Group's financial statements. Management's assessment of the probability of settling disputes in the Group's favor is highly subjective. Revenue is recognized when disagreements are resolved in favor of the Group with regard to assumptions. Information on revenue from electricity transmission services is disclosed in item 7 of Notes to the consolidated financial statements	We considered the applied accounting policy with regard to the recognition of revenue from electricity transmission services, assessed internal controls over the recognition of this revenue; checked the correctness of the corresponding revenue amounts based on the existing electricity transmission contracts; received, on a selective basis, confirmations of balances of receivables from counterparties; analyzed the results of litigations concerning disputable amounts of services provided, if any; and assessed existing procedures to confirm the volume of electricity transmitted
Allowance for expected credit losses on trade receivables	
The matter of creating allowance for expected credit losses on trade receivables is one of the most significant matters for our audit due to the material balances of trade receivables as of December 31, 2018, as well as due to the fact that management's assessment of the possible recoverability of these. receivables is based on assumptions, in particular, on the projected solvency of the Group's customers. Information on allowance for expected credit losses on trade receivables is disclosed in i. 18 of Notes to the consolidated financial statements	We analyzed an adequacy of the Group's accounting policy on the trade receivables with respect to creation of allowance for expected credit losses on trade receivables, as well as procedures to confirm the appropriateness of measurements made by the Group's management. including the analysis of repayment of trade receivables, the analysis of maturity and delayed performance of obligations, and the analysis of customers' solvency. We performed audit procedures in respect of the information used by the Group to determine the allowance for expected credit losses on trade. receivables, the structure of receivables by age and maturity, and tested the correctness of the charged allowance amounts based on management's estimates
Recognition, measurement and disclosure of provisions and contingent liabilities	
Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims from counterparties (including territorial electric grid and utilities companies) were among the most significant matters for our audit as they require significant judgments of management with respect to material amounts of balances of settlements with counterparties that are challenged in litigations or under the pretrial settlement. Information on provisions and contingent liabilities is disclosed in Note 26 to the consolidated financial statements	Audit procedures also involved analyzing decisions made by courts of different instances; considering the adequacy of management's judgments with regard to assessment of the possibility of an outflow of economic resources due to the dispute settlement; examining the compliance of the prepared documentation with provisions of existing contracts and legislation; and reviewing disclosures on provisions and contingent liabilities in notes to the consolidated financial statements
Impairment of non-current assets	
Due to the existence of the impairment indicators of non-current assets as of December 31, 2018, the Group performed impairment testing. The value-in-use of fixed assets, forming a significant share of the Group's non-current assets, as of December 31, 2018, was determined by the projected cash flow method. The matter of impairment testing of fixed assets was one of the most significant matters for our audit because the fixed assets balance forms a significant part of the Group's assets at the reporting date, and because management's assessment of the value-in-use is complex and largely subjective and is based on assumptions, in particular, on the projected electricity transmission volumes, transmission fees, as well as operating and capital expenditures that depend on the expected future market or economic conditions in the Russian Federation. Information on the results of the impairment analysis of non-current assets is disclosed by the Group in Note 13 to the consolidated financial statements	As part of our audit procedures, we also assessed the assumptions and methodologies applied by the Group, in particular, those relating to projected total revenue from the electricity transmission, fee solutions, operating and capital expenditures, long-term rates of fee growth and discount rates . We tested the incoming data imported in the model and the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed assets. We engaged valuation specialists to analyze the model used to determine the recoverable amount in the impairment test of fixed assets. We also analyzed the sensitivity of the model to changes in the main indicators of assessment and the Group's disclosures of assumptions on which the results of impairment testing largely depend

Key audit matter	How audit addressed the matter
Assessment of retirement and other liabilities to employees	
The Group has defined benefit pension plans. Assessment of retirement and other liabilities to employees is a significant audit matter as management determines carrying values of defined benefit pension plans and the discounted value of respective liabilities on the basis of actuarial valuation that includes certain assumptions, and the amount of liabilities under defined benefit pension plans at the reporting date is highly sensitive to changes in those assumptions. Such assumptions include, but are not limited to, mortality, both during and after employment, rates of employee tur over, discount rate, future salary and benefit levels as well as the expected return on plan asset. Information on pension liabilities is disclosed in Note 24 to the consolidated financial statements	In the course of our audit procedures we also analyzed the applied assumptions, made sample testing of the Group's employee data used for actuarial calculations, as well as performed analytical procedures in respect of the carrying value of liabilities under the defined benefit pension plans and their changes during the period. We engaged the professional actuaries to provide assistance with these audit procedures. We also reviewed the respective disclosures in the consolidated financial statements

Other matters

The financial statements of the Public Joint-Stock Company "Interregional Distribution Grid Company of Siberia" and its subsidiaries for 2017 were audited by another auditor who expressed an unmodified opinion on those statements on March 15, 2018.

Other information included to the Company's annual report

Other information consists of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and Audit Committee of the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such intern al 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee of the Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report or report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control; obtain an understanding of internal control relevant to the audit 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 Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Head in charge of the audit following which an independent audit report was prepared.

M. S. KHACHATURYAN

Partner LLC Ersnt & Young

March 18, 2019

Information in the audited entity:

Name:
Public Joint-Stock Company Interregional Distribution Grid Company of Siberia
The record was made to the Uniform State Register of Legal Entities on July 4, 2005, and state registration number was assigned 1027739707203
Location: 660021, Russia, Krasnoyarsk Region, Krasnoyarsk, 144a Bograda str.

Information on auditor:

Name:
LLC Ernst & Young
The record was made to the Uniform State Register of Legal Entities on December 5, 2002, and state registration number was assigned регистрационный номер 1027739707203.
Location: 115035, Russia, Moscow, 77 Sadovnicheskaia naberezhnaia, bld. 1
LLC Ernst & Young is a member of Self-Controlled Auditor Organization Russian Union of Auditors (Association). LLC Ernst & Young is included to the control copy of the register of auditors and auditor companies under primary main registration number 11603050648.

CONSOLIDATED STATEMENT ON PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(thsd rub., unless other specified)

	Notes	For a year that ended on December 31	
		2018	2017
Revenue	7	57,051,023	53,598,104
Operating expenses	9	(56,644,543)	(51,620,742)
Other income, net	8	2,980,883	2,979,108
Result from operating activities		**3,387,363**	**4,956,470**
Finance income	11	283,940	266,640
Finance costs	11	(2,593,373)	(2,452,196)
Total financial costs		**(2,309,433)**	**(2,185,556)**
Profit before income tax		**1,077,930**	**2,770,914**
Income tax expense	12	(654,546)	(408,075)
Profit for the year		**423,384**	**2,362,839**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		–	(5,508)
Reserve for exchange rates of foreign currency hen recalculated		–	
Income tax		–	1,102
Total items that may be reclassified subsequently to profit or loss		**–**	**(4,406)**
Items that will never be reclassified subsequently to profit or loss		,	
Changes in the fair value of equity investments accounted for at fair value through other comprehensive income		1,924	–
Remeasurements of the defined benefit liability	24	(32,501)	21,311
Income tax		12,662	11,511
Total items that will not be reclassified subsequently to profit or loss		**(17,915)**	**32,822**
Other comprehensive income net of income tax		**(17,915)**	**28,416**
Total comprehensive income for the year		**405,469**	**2,391,255**
Profit/loss attributable to:			
Equity holders of the Company		429,363	2,352,168
Non-controlling interests		(5,979)	10,671
Total comprehensive income attributable to			
Equity holders of the Company		411,448	2,380,584
Non-controlling interests		(5,979)	10,671
Earnings per share			
Basic and diluted earnings per ordinary share (in RUB)	21	0.0045	0.0248

The consolidated financial statements were approved by Management Board on March 18, 2019 and signed by the following persons on behalf of the Company:

Head
under Power of Attorney dated April 19, 2017 No. 00/111 P. E. Akilin

Chief Accountant S. V. Prischepina

CONSOLIDATED STATEMENTS ON FINANCIAL POSITION

(thsd rub., unless other specified)

	Notes	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	13	48,168,488	40,078,608
Intangible assets	14	938,798	1,060,003
Trade and other receivables	18	2,729,534	1,485,901
Assets related to employee benefits plans	24	444,621	474,630
Financial investments	15	112,189	36,851
Deferred tax assets		2,510	36,087
Total non-current assets		52,396,140	43,172,080
Current assets			
Inventories	17	1,689,602	2,141,485
Income tax prepayments		440,631	57,702
Trade and other receivables	18	11,079,412	14,656,466
Short-term cash funds with limited use		132	1,279
Cash and cash equivalents	19	285,233	1,137,928
Total current assets		13,495,010	17,994,860
Total assets		65,891,150	61,166,940
Capital and liabilities			
Capital			
Authorized capital	20	9,988,619	9,988,619
Issuer's capital		1,198,452	1,198,452
Other reserves		(317,715)	(299,800)
Undistributed profit		5,998,808	5,938,557
Total equity attributable to equity holders		16,868,164	16,825,828
Non-controlling share		(3,776)	2,203
Total capital		16,864,388	16,828,031
Non-current liabilities			
Credit and loans	22	21,169,936	25,469,511
Trade and other payables	25	1,639,966	317,606
Employee benefits		564,607	605,130
Deferred tax liabilities		443,622	337,872
Total non-current liabilities		23,818,131	26,730,119
Short-term obligations			
Loans and borrowings	22	10,575,271	3,484,085
Trade and other payables	25	13,644,259	12,743,069
Provisions	26	978,188	1,277,276
Current income tax liabilities		10,913	104,360
Total current liabilities		25,208,631	17,608,790
Total liabilities		49,026,762	44,338,909
Total equity and liabilities		65,891,150	61,166,940

CONSOLIDATED STATEMENTS ON CASH FLOWS

(thsd rub., unless specified otherwise)

	Notes	For a year that ended on December 31	
		2018	2017 (revised data)
Cash flow flom operating activities			
Profit for a period		423,384	2,362,839
Adjustments for:			
Amortization of man assets and intangible assets	9	4,024,770	3,539,840
Depreciation and amortization of main assets		942,838	(51,592)
Financial expenses	11	2,593,373	2,452,196
Financial income	11	(283,940)	(266,640)
Loss from withdrawal of fixed asserts		(62,516)	(39,538)
Reserve for expected credit loss	9	3,642,503	3,361,875
Withdrawal of non-cash assets		32,620	124,164
Withdrawal of notes receivable		(17,036)	(173,774)
Other noncash transactions		437,878	1,119,484
Tax income expenses		654,546	408,075
Total influence of adjustments		**12,388,420**	**12,836,929**
Changes in assets related to employee remuneration		30,009	31,872
Changes of liabilities for employee remuneration		(103,159)	50,176
Cash flow from operating activity prior to changes in turnover capital and reserves		**12,315,270**	**12,918,977**
Changes in turnover capital:			
Change in trade and other receivables		1,944,028	706,222
Changes in stocks		572,056	418,592
Change in trade and other receivables		1,411,628	(5,621,085)
Change in stocks		(3,646,106)	(3,343,436)
Others		76,785	356,751
Cash flows from operating activities before income taxes and interest paid		**12,673,661**	**5,436,021**
Income tax, paid		(992,227)	(500,844)
Interests, paid		(2,505,175)	(2,373,460)
Net monetary funds received (used) from operating activity		9,176,259	2,561,717
Cash flow from investing activities			
Acquisition of property, plant and equipment and intangible assets		(12,714,764)	(7,955,798)
Proceeds from the sale of property, plant and equipment and intangible assets		272,715	306,561
Opening deposits and acquisition of financial investment		(73,414)	–
Closing deposits and withdrawal of financial investments		–	324,479
Interest received		55,140	61,830
Dividends received		3,928	3,550
Net cash flows used in investing activities		**(12,456,395)**	**(7,259,378)**
Cash flow from financing activities			
Proceeds from loans and borrowings		16,461,581	33,435,300
Repayment of loans and borrowings		(13,670,713)	(27,795,818)
Dividends paid		(363,427)	(10)
Net cash flows (used in) from financing activities		**2,427,441**	**5,639,472**
Net increase/(decrease) in cash and cash equivalents		**(852,695)**	**941,811**
Cash and cash equivalents at the beginning of period	**19**	**1,137,928**	**196,117**
Cash and cash equivalents at the end of period	**19**	**285,233**	**1,137,928**

CONSOLIDATED STATEMENTS ON CHANGES IN EQUITY

(thsd rub., unless other is specified)

	Equity attributable to Company holders						
	Authorized capital	Share capital	Reserves	Undistributed profit	Total	Non-controlling share	Total capital
Balance as of December 31, 2017	9,988,619	1,198,452	(299,800)	5,938,557	16,825,828	2,203	16,828,031
Profit for report period	–	–	–	429,363	429,363	(5,979)	423,384
Other comprehensive income	–	–	(30,577)	–	(30,577)	–	(30,577)
Income tax in regard to other comprehensive income	–	–	12,662	–	12,662	–	12,662
Total comprehensive income for report period	–	–	(17,915)	429,363	411,448	(5,979)	405,469
Transactions with Company owners							
Contributions and payments							
Dividends to Shareholders	–	–	–	(369,112)	(369,112)	–	(369,112)
Total contributions and payments	–	–	–	(369,112)	(369,112)	–	(369,112)
Total transactions with Company owners	–	–	–	(369,112)	(369,112)	–	(369,112)
Balance as of December 31, 2018	9,988,619	1,198,452	(317,715)	5,998,808	16,868,164	(3,776)	16,864,388
Balance as of January 1, 2018	9,988,619	1,198,452	(328,216)	3,586,389	14,445,244	(8,468)	14,436,776
Income for report period	–	–	–	2,352,168	2,352,168	10,671	2,362,839
Other comprehensive income	–	–	15,803	–	15,803	–	15,803
Tax income in regard to other comprehensive income	–	–	12,613	–	12,613	–	12,613
Total comprehensive income for report period	–	–	28,416	2,352,168	2,380,584	10,671	2,391,255
Balance as of December 31, 2017	9,988,619	1,198,452	(299,800)	5,938,557	16,825,828	2,203	16,828,031

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Background

(a) Group and its activity

The primary activities of PJSC IDGC of Siberia (hereinafter referred to as the PJSC IDCG of Siberia or Company) and its subsidiaries (hereinafter together referred to as the Group) are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network.

The parent company is PJSC "Russian Grids".

(b) Business environment

The Group's operations are located in the Russian Federation.

Russia continues to implement economic reforms and develop legal, tax and administrative infrastructure that would meet the requirements of a market economy. Stability of the Russian economy in the future will largely depend on success of these reforms, as well as on effectiveness of measures taken by government in economic, financial and monetary policies.

Sanctions imposed on Russia by some countries have a negative impact on the Russian economy. Interest rates in rub. remain high. Combination of these factors led to decrease in the availability of capital and increase in its value, as well as increased uncertainty regarding further economic growth, which could adversely affect the Group's financial position, results of operations and economic prospects. The management of the Group believes that it is taking appropriate measures to maintain the economic sustainability of the Group in the current environment.

The consolidated financial statements presented reflect management's views on the impact of business conditions in the Russian Federation on operations and financial position of the Group. Actual impact of future business conditions may differ from their management's estimates.

(c) Relations with State

The Russian Government, through the Federal Agency for the Management of State Property, is the ultimate controlling party of the Company.

As of December 31, 2018 share owned by the Russian Federation in the authorized capital of PJSC IDGC of Siberia amounted 0.05%, including common voting shares of 0.05%, privileged shares of 0%. As of December 31, 2017 share owned by the Russian Federation in the authorized capital of PJSC IDGC of Siberia amounted 0.05%, including common voting shares of 0.05 %, privileged shares of 0%.

The Russian Government directly affects the Group's operations through tariffs regulations. In accordance with the Russian legislation, the Group's tariffs are regulated by executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs. The number of consumers of the Group's services includes a large number of enterprises under state control.

2. Principles for preparation of consolidated financial statements

(a) Application on preparation of IFSR

These consolidated interim condensed financial statements were prepared in accordance with IAS 34 Interim Financial Reporting (IFRS).

Each subsidiary of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the Russian Accounting Standards (RAS). The Group's consolidated financial statements are based on the statutory records with adjustments and reclassifications recorded in the consolidated financial statements for the fair presentations in accordance with IFRS.

(b) Base for cost determination

The consolidated financial statements are prepared on the historical cost basis, expect for:

- financial assets at fair value through profit or loss
- financial assets at fair value through other comprehensive income.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble (RUB), which is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimated and professional judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continuously reviews estimates and assumptions made based on experience and other factors that were used to determine the book value of assets and liabilities. Changes in estimates and assumptions are recognized in the period in which they were taken if the change affects only that period or are recognized in the period to which the change relates and in subsequent periods if the change affects both the given and for future periods.

Professional judgements that have the most significant effect on the amounts recognized in these Consolidated Financial Statements and estimates and assumptions that may require significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Impairment of fixed assets

At the end of each reporting period, the Group assesses whether there are any indicators that an asset may be impaired. Such indicators include changes in business plans, tariffs and other factors that may lead to unfavorable conditions for the Group's activities. When calculating the value of use, management estimates the expected cash flows from the asset or group of cash-generating assets and calculates an acceptable discount rate to calculate the present value of these cash flows. Detailed information is presented in the Note "Property, plant and equipment".

Impairment of accounts receivable

Allowance for impairment of accounts receivable is based on management assumptions of debt recovery made for each debtor individually. For the goal of allowance for expected credit losses the Group consistently takes into account all reasonable and verified information about past events, current and forecasted events, which is available without undue effort and is relevant to the assessment of receivables. The experience gained in the past based on the date currently available to reflect current conditions that did not have an impact on previous periods and in order to exclude the impact of past conditions that no longer exist.

Pension liabilities

The costs of the defined benefit pension plan and the related costs of the pension program are determined using actuarial calculations. Actuarial estimates provide for the use of assumptions regarding demographic and financial data. Since this program is long-term, there is considerable uncertainty about such estimates.

Deferred tax asset recognition

At each reporting date management assesses the amount of deferred tax assets and determines the amount to be reflected to the extent in which it is likely to be used as tax allowances. When determining future taxable profit and related tax allowances management uses estimates and assumptions based on prior periods' taxable profit and expectations related to the future profit that are reasonable under the circumstances.

(e) Change in accounting policies

The Group has applied the following new standards since January 1, 2018:

(i) IFRS 15 Revenue from Contracts with Customers

The Group recognizes revenue when (or as) the performance obligation is fulfilled by transferring the promised good or service (i. e. an asset) to customer. Revenue is measured at the transaction price or its part equal to the amount of consideration to which the Group expects to be entitled in exchange for transferring promised assets to a customer, excluding amounts collected on behalf of third parties (for example, net of recoverable taxes).

Trade receivables

Trade receivables shall be a rights of the Group to reimburse which is unconditional (a moment when such compensation becomes payable is conditioned only by passage of time).

Contractual obligations

The contractual obligation is an obligation to transfer goods or services to buyer for which the Group received compensation (or compensation for which is payable) from buyer. If buyer pays compensation before the Group transfers goods or service to the buyer, contractual obligation is recognized at the time payment is made or at the time the payment becomes payable (whichever is earlier). Contractual obligations are recognized as revenue when the Group fulfills its contractual obligations. Contractual obligations are recorded in the line "Advances received" in a composition of long-term and short-term trade and other payables.

Services for Power Transmission and Sale

Revenue from electricity transmission and sale is recognized during the period (accounting month) and is estimated by the output methods (cost of transferred volumes of electric energy). The tariffs for the electricity transmission (in respect to all subjects of the Russian Federation) and sale of electricity and capacity on the regulated market (in respect of constituent entities of the Russian Federation, not united in price zones of the wholesale electricity market) are approved by the executive authorities of subjects of the Russian Federation in the field of state regulation of tariffs (hereinafter – regional authority) within the limit minimum and (or) maximum levels approved by the Federal Antimonopoly Service.

Services for Technological Connection

Revenue recognition from this type of services is performed at the beginning of electricity supply and connection of the consumer to the power grid on the basis of the act on technological connection.

Payment for technological connection for an individual project, the standardized tariff rates, the rates for unit of maximum capacity and the form of payment for technological connection are approved by the regional energy commission (the department of prices and tariffs of the corresponding region) and do not depend on the proceeds from the provision of electricity transmission services. Payment for technological connection to the unified national electric network is approved by the Federal Antimonopoly Service.

The Group applied judgment that technological connection is a separate performance obligation that is recognized when the related services are provided. The technological connection agreement does not contain any further obligations after the provision of the connection service. According to the established practice and laws governing the electricity market, technological connection and transmission of electricity are subject to separate negotiations with different consumers as different services with different commercial purposes without connection in pricing, intentions, recognition or types of services.

Other services

Revenue from installation, repair and maintenance services and other sales is recognized when the customer receives control of the asset.

In accordance with IFRS 15 transition requirements, the Group has chosen to apply the standard retrospectively with the recognition of the cumulative effect of the initial application as part of the retained earnings opening balance as at January 1, 2018. The application of this standard had no a material impact on the Group's consolidated interim condensed financial statements, respectively, the opening balance of the retained earnings as at January 1, 2018 was not adjusted.

In result of simplification of a practical character provided by IFRS 15, the Group does not adjust the promised sum taking into account influence of a significant component of financing, should as of the moment of agreement making the Group expect that the period between transfer of the goods or service and payment for such goods or service shall not exceed one year.

(ii) IFRS 9 Financial instruments

The standard introduces new requirements for classification and measurement of financial instruments, impairment and hedge accounting. As the Group does not apply hedge accounting, the main changes relevant to the Group impacted its accounting policies for classification of financial instruments and impairment of financial assets.

According to IFRS 9, the financial assets are classified in the following measurement categories: those to be measured subsequently at amortized cost, those to be measured at fair value through profit or loss, and those to be measured at fair value through other comprehensive income. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are classified as at amortized cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In respect of impairment, IFRS 9 replaced the incurred loss model used in IAS 39 Financial instruments: Recognition and Measurement with a new expected credit loss (ECL') model that requires a timely recognition of expected credit losses. An allowance for expected credit losses shall be recorded for financial assets classified as at amortized cost.

According to IFRS 9, reserves under depreciation are evaluated or on the grounds of 12-month's Under IFRS 9, loss allowances are measured on either of the following bases: 12-month ECLs that result from possible default events within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument. For trade receivables the Group measures loss allowances applying a simplified approach at an amount equal to lifetime ECLs. For other financial assets classified as at amortized cost loss allowances are measured as 12-month ECLs unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the lifetime ECLs.

In accordance with the transition provisions in IFRS 9, the Group applied the new rules retrospectively, except for the items that have already been derecognized at the date of initial application, which is January 1, 2018. The Group also used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new classification and measurement requirements, but rather recognize any differences in the opening retained earnings as at January 1, 2018. The initial application of the standard did not result in any material changes in the financial Instruments measurement.

On January 1, 2018 (the date of the initial application of IFRS 9 Financial Instruments), The Group assessed the business models it uses to manage financial assets and classified the financial instruments held at that date onto appropriate IFRS 9 measurement categories. The main effects of the classification were the following.

Reclassification of financial assets as of January 1, 2018					
	Balance as of January 1, 2018, in accordance with IAS 39	Assessed at fair value through profit or loss	Assessed at fair value through other comprehensive income	Assessed at depreciation value	Balance as of January 1, 2018, in accordance with IFRS 9
Available-for-sale financial assets assessed	36,851	–	(36,851)	–	–
At fair value through other comprehensive income	–	–	36,851	–	36,851
Total	**36,851**	**–**	**–**	**–**	**36,851**

Classification and estimation of financial instruments as of January 1, 2018 did not influence capital of the Group.

	Measurement category		Net assets value		
	IAS 39	IFRS 9	IAS 39	IFRS 9	difference
Non-current financial asset					
Financial investment, including:					
Shares	Available for sale	At fair value through other comprehensive income	36,851	36,851	–
Trade and other receivables, loans issued	Authorized cost	Authorized cost	1,478,645	1,478,645	–
Current financial asset					
Shares	Available for sale	At fair value through other comprehensive income	13,449,367	13,449,367	–
Trade and other receivables, loans issued	Authorized cost	Authorized cost	1,137,928	1,137,928	–
Long-term and short-term financial liabilities					
Credits and loans, trade receivables	Authorized cost	Authorized cost	38,684,350	38,684,350	–

(f) Change in presentation

Reclassification

Certain amounts of the previous year have been adjusted to conform to the current year disclosures.

	For a year that ended on December 31, 2017	Reclassification	For a year that ended on December 31, 2017 (revised data)
Operating expenses	(50,557,968)	(1,062,774)	(51,620,742)
Income/expenses form withdrawal of inventory and supplies	–	8,895	8,895
Income/expenses from previous years	–	(520,470)	(520,470)
Other operating expenses	–	(233,216)	(233,216)
Income/expenses from sale of main assets and construction in progress	6,266	(6,266)	–
Income as a part of commodities and materials received at liquidation of main assets	70,954	(70,954)	–
Expenses from withdrawal of main assets, including advances for main assets	(37,682)	37,682	–
Other operating expenses	278,445	(278,445)	–
Net other income/expenses	**1,916,334**	**1,062,774**	**2,979,108**
Income/expenses form withdrawal of inventory and supplies	8,895	(8,895)	–
Income/expenses from previous years	(520,470)	520,470	–
Other operating expenses	(233,216)	233,216	–
Income/expenses from sale of main assets and construction in progress	–	6,266	6,266
Income as a part of commodities and materials received at liquidation of main assets	–	70,954	70,954
Expenses from withdrawal of main assets, including advances for main assets	–	(37,682)	(37,682)
Other operating expenses	–	278,445	278,445

All reclassifications are insignificant.

(g) Application of new and revised standards and interpretations

Except for changes in accounting policies described in Note 2 (e), the following amendments to standards and interpretations effective from January 1, 2018 did not have an impact on these consolidated interim condensed financial statements:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Transfers of Investment Property (Amendments to IAS 40)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Investments in Associates and Joint Ventures (Amendments to IAS 28)
- Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The following new standards and interpretations have been issued and become effective for annual periods beginning on or after January 1, 2019 and have not been early adopter by the Group.

IFRS 16 "Leases"

The IFRS 16 "Leases" was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees leases of 'low-value' assets (e.g., personal computers) and short-term leases (i. e., leases with a lease term of 12 months or less). The Group intends to apply both exemptions.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i. e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i. e., the right-of-use asset). The Group will be required to recognize separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

In accordance with the transitional provisions of IFRS 16, the Group chose to apply the new rules retrospectively with cumulative effect of the initial application of the standard recognized as at January 1, 2019, recognizing the lease liability in the present value of the remaining lease payments using the additional interest rate borrowed funds at the date of initial application and the recognition of assets in the form of right of use by a value equal to the lease liability, adjusted for the amount of rental payments made in advance or accrued.

Also the Group plans to use allowed practical simplifications and not apply the new standards to lease agreements that expire within twelve months from the date of transaction.

The main objects of the Group's lease are electric grid facilities (electricity transmission networks equipment for electricity transmission, etc.) and land. Land lease agreements were concluded in previous periods in respect of the plots on which their own electricity transmission networks, equipment for electricity transmission and other assets of the Group are located. In addition, the Group leases non-residential real estate and vehicles.

The Group is in the process of recalculating the effects of applying IFRS 16 and expects that the effect of applying IFRS 16 may have the following impact on the Group's assets and liabilities:

Depreciation of assets and liabilities as of January 1, 2019 is not expected.

	As of January 1, 2019
Assets	
The right-of-use assets	1,006,198
Trade and other receivables	(17,489)
Liabilities	
Long-term lease liabilities	954,061
Short-term lease liabilites	55,890
Trade and other payables	(21,241)

In March 2018, the IASB issued a new edition of the Conceptual Framework for Financial Reporting. The new edition comes into force for mandatory application, starting from annual periods after January 1, 2020. At present, the Group is analyzing the impact of the new edition on the consolidated financial statements.

The following standards, amendments to standards and explanations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Early repayment terms with potential negative reimbursement
- Business Combinations (Amendments to IFRS 3)
- Joint Arrangements (Amendments to IFRS 11)
- Income Taxes (Amendments to IAS 12)-Tax consequences of payments for Financial Instruments classified as Equity
- Borrowing Costs (Amendments to IAS 23)
- Long-term investments in associates and joint ventures (Amendments to IAS 28)
- Making changes to a program, reducing a program, or paying off program commitments (Amendments to IAS 19)
- IFRS 17 Insurance Contracts
- Amendments to IFRS IO IAS 28 "Sale or contribution of assets in transactions between an investor and its associate or joint venture"

3. Basic principles of accounting policy

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, with the exception of changes in accounting policies disclosed in Note 2 (d) and related to commencement from January 1, 2018 IFRS 15 "Revenue from Contracts with customers" and IFRS 9 "Financial Instruments".

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to risks connected to variable returns from its involvement with the entity or has the right to those returns and has the ability to affect those returns through its power over the entity the Financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses attributable to the non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Business combinations

The Group measures goodwill at the acquisition date as:

1. The fair value of the consideration transferred; plus
2. The recognized amount of any non-controlling interests in the acquire; plus
3. The fair value of the pre-existing equity interest in the acquire if the business combination is achieved in stages; less
4. The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss for the period.

Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss for the period.

(iii) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and there for no goodwill is recognized as a result. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entitles that are under the control of the shareholder that controls the Group are accounted for by the method of the predecessor. The acquired assets and liabilities are recognized at the carrying amounts recognized previously in the consolidated financial statements of the acquired entities. Any cash or other contribution paid for the acquisition is recognized directly in equity.

(v) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment also includes transaction cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Authorized capital

Ordinary shares and non-redeemable preference shares are both classified as equity.

(c) Property. plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The deemed cost of property, plant and equipment as at January 1, 2007, the date of transition to IFRS, was determined by using its fair value (deemed cost) at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed (built) assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net in the item Net other income, within the profit or loss for the period.

(ii) Subsequent expenses

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

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows.

- Buildings 1-99 years
- Power Transmission Lines 1-91 years
- Power Transmission Equipment 1-91 years
- Other assets 1-97 years

Estimated useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates, and joint ventures. Evaluation of goodwill at initial recognition in described at Note Business Combination Transactions.

Subsequent evaluation

Goodwill is measured at cost less accumulated impairment losses. With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iv) Amortization

Amortization expense on intangible assets, other than goodwill is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives of intangible assets for the current and comparative period are as follows.

Software 5-19 years

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

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as financial 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 (discounted) lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the consolidated statement of the Group's financial position.

(f) Inventories

Inventories are measured at the lower of the cost or net realizable value. The cost of inventories is determined on the weighted average cost method, 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 realizable value is the estimated selling price in the ordinary course of business of the Group, less the estimated costs of completion and selling expenses.

(g) Advances issued

Advances given are classified as non-current if they are connected with the acquisition of an asset which will be classified as non-current upon initial recognition. Advances given for the acquisition of an asset are included in its carrying amount upon the acquisition of control over the asset, and when it is probable that the Group will obtain economic benefit from its usage.

(h) Vale added tax

Output value-added tax (VAT) related to sales is payable to the tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Amounts of VAT related to advances received and given as well as VAT prepayment are recognized in the consolidated statement of financial position on a net basis and disclosed as an asset within accounts receivable (VAT recoverable). Amounts of VAT to be paid to the tax authorities are presented separately within short-term accounts payable. Where a provision has been made for the impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

(i) Impairment of assets

(i) Financial assets

Allowance for expected credit losses on a financial instrument is estimated at each reporting date in an amount equal to the expected credit losses over the entire term, if the credit risk of this financial instrument has increased significantly since the moment of initial recognition, taking into account all reasonable and corroborated information, including forward-looking. For receivables, allowance for expected credit losses is always estimated at an amount equal to the lifetime expected credit losses.

As indicators of a significant increase in credit risk, the Group considers actual or expected difficulties of the issuer or debtor on the asset, actual or expected violation of the terms of the contract, expected revision of the terms of the contract due to the financial difficulties of the debtor under unfavorable conditions for the Group circumstances. Based on the usual practice of credit risk management, the Group defines default as the counterparty's inability to fulfill its obligations (including repayment of funds under the contract) due to a significant deterioration in its financial position.

The impairment loss on a financial asset is reflected by recognizing an allowance for impairment. For a financial asset carried at amortized cost, the amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in subsequent periods the credit risk of the financial asset decreases as a result of an event that occurred after the loss was recognized, the previously recognized impairment loss is reversed by reducing the corresponding estimated reserve. As a result of the restoration, the carrying amount of the asset should not exceed its value, at which it would be reflected in the statement of financial position if the impairment loss was not recognized.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit (CGU) is presented as the greater of its two values: value in use of the asset (this unit) and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset to CGU, For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of CGU. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units which it related to.

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

Impairment losses are recognized in profit or loss. Impairment losses recognized with respect to cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU (group of CGU) on a pro rata basis.

An impairment loss with respect to goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized.

(j) Employee remuneration

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate (independent) entity and will have no further (legal or constructive) obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State Pension Fund, are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plan

The defined benefit program is a program for the payment of employee benefits at the end of an employment relationship with them, different from the defined benefit program. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension schemes is the discounted liability at the reporting date.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in other comprehensive income/expense.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Other non-current employee benefits

The Group's net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is made using projected unit credit method.

(iv) Short-term benefits

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

A liability is recognized for 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 the employee, and the obligation can be estimated reliably and it is highly probable that there will be an outflow of economic benefits.

(k) Provisions

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

(l) State subsidies

State subsidies are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant related to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

State subsidies that compensate the Group for low electricity tariffs (lost income) are recognized in the consolidated statement of profit or loss and other comprehensive income in the same periods in which the respective revenue is earned.

(m) Other expenses

(i) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. The amount of lease incentives received reduces the total lease expenses over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At the inception of an arrangement, The Group determines whether such an arrangement is or contains indicators of a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other considerations required by such an arrangement into those for the lease and those for other elements proportionately to their fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then as asset and a liability are recognized at an amount equal to the fair value of the underlying asset contract. Subsequently the liability is reduced as payments are made and an imputed finance expense is recognized.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognized in profit or loss as incurred.
The Group costs related to the financing of social programs, without making a commitment with respect to such financing in the future date are recognized in consolidated statement of profit or loss and other comprehensive income as they arise.

(n) Financial income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividends income, gains on the disposal of available-for-sale financial assets, discounts on financial instruments, and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs are comprised of interest expense on borrowings, financial leasing, foreign currency losses, discounts on financial instruments and impairment losses recognized on financial assets other than trade receivables. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(o) Income tax expense

Income tax expense is comprised of current and deferred tax. It is recognized in profit or loss for the period, except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

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

Deferred tax is recognized with respect to 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 recognized for:

Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or loss

Temporary differences relating to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

Taxable temporary differences arising on the initial recognition of goodwill

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Profit attributable to ordinary shareholders is calculated by adjusting profit attributable to owners of the Company by profit attributable to holders of preference shares.

4. Fair value measurement

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

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Main subsidiaries

	Country of registration	Share of own/voting shares, %	
		December 31, 2018	December 31, 2017
JSC Tyvaenergo	Russian Federation	98.96	98.96
JSC Sotssfera	Russian Federation	100	100
JSC Power Service Company of Siberia	Russian Federation	100	100

6. Information by segments

The Management Board of PJSC IDGC of Siberia is the supreme body that makes decisions on operating activities.

The primary activities of the Group are provision of services for transmission and distribution of electricity for power grids, as well as the provision of services for technological connection of consumers to the network, as well as the sale of electricity to the end consumer in a number of regions of the Russian Federation.

The internal management system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electric grids and electricity sales to the end user in a number of regions of the Russian Federation.

Revenue indicators and EBITDA are used to reflect the performance of each reportable segment, since they are included in internal management reporting prepared on the basis of RAS reporting data and are regularly analyzed and evaluated by the Management Board. EBITDA is calculated as profit or loss before interest expenses, taxation and depreciation. The Management Board believes, that these indicators are most relevant when assessing the performance of certain segments in relation to other segments and other companies that operate in these industries.

In accordance with the requirements of IFRS 8 the following reportable segments were identified based on segment revenue, EBITDA and the total amount of assets submitted to the Management Board:

Altayenergo branch, Buryatenergo branch, Gorno-Altayskiye Power Grids, Kuzbassenergo REG, Krasnoyarskenergo, Omskenergo, Khakasenergo, Chitaenergo, Tyvaenergo;

other segments.

Unallocated indicators include general indicators of Company's executive body that is not an operating segment in compliance with requirements of IFRS 8.

Segment indicators are based on management information which is prepared on the basis of RAS financial statements and may differ those presented in the financial statements prepared in accordance with IFRS. The reconciliation of the indicators in the evaluation to the Management Board and similar indicators in these consolidated financial statements includes those reclassifications and adjustments that are necessary for reporting in accordance with IFRS.

(a) Information about segments

As of December 31, 2018 and for a year that ended on December 31, 2018:

	Altayenergo	Biryatenergo	Gorno-Altayskiye Power Grids	Kuzbassenergo REG	Krasnoyarskenergo REG	Omskenergo	Khakasenergo	Chitaenergo	Tyvaenergo	Others	Total
Revenue form external customers	7,791,862	5,219,563	1,217,337	8,459,656	14,525,112	6,570,630	4,557,664	7,219,928	1,371,727	67,883	57,001,362
Inter-segment revenue	792		–	321	286	–	–	13,211	–	80,756	95,366
Segment revenue	**7,792,654**	**5,219,563**	**1,217,337**	**8,459,977**	**14,525,398**	**6,570,630**	**4,557,664**	**7,233,139**	**1,371,727**	**148,639**	**57,096,728**
Including											
Power transfer	7,379,949	5,115,026	1,185,415	8,389,428	14,199,616	6,425,215	1,536,250	7,133,148	1,323,178	–	52,687,225
Technological connection	336,471	85,299	24,710	36,531	282,317	114,968	57,522	57,332	33,649	–	1,028,799
Power resale	–	–	–	–	–	–	2,958,313	–	–	–	2,958,313
Other profit	76,234	19,238	7,212	34,018	43,465	30,447	5,579	42,659	14,900	148,639	422,391
Financial income	3,086	405	262	911	5,169	335	1,841	446	7,506	183	20,144
Financial expenses	(103,295)	(342,717)	–	(143,769)	(997,073)	(32,484)	(212,031)	(184,298)	–	–	(2,015,667)
Amortization	840,626	437,083	234,774	1,027,302	873,549	650,030	298,425	795,800	103,471	4,677	5,265,737
EBITDA	**1,654,736**	**1,138,365**	**153,396**	**1,915,865**	**3,041,690**	**932,585**	**(1,406,150)**	**1,763,898**	**(1,027,925)**	**18,383**	**8,184,843**
Assets	**11,713,981**	**8,087,923**	**2,910,925**	**11,262,404**	**16,319,743**	**8,313,247**	**4,253,368**	**12,715,970**	**1,919,623**	**220,974**	**,77,718,158**
Including main assets and unfinished construction	10,828,059	3,539,702	2,771,689	10,252,416	13,114,224	7,365,164	3,441,103	7,467,240	1,267,998	109,691	60,157,286
Capital investment	1,449,481	960,630	468,152	2,541,883	4,682,183	1,242,590	719,291	1,014,394	200,744	20,940	13,300,288
Liabilities	**3,654,755**	**6,238,709**	**526,726**	**4,220,443**	**19,162,934**	**1,989,314**	**4,444,813**	**4,571,636**	**1,922,215**	**147,543**	**46,879,088**

As of December 31, 2017 and for a year that ended on December 31, 2017:

	Altayenergo	Biryatenergo	Gorno-Altayskiye Power Grids	Kuzbassenergo REG	Krasnoyarskenergo REG	Omskenergo	Khakasenergo	Chitaenergo	Tyvaenergo	Others	Total
Revenue form external customers	7,679,718	5,005,665	1,161,773	7,700,066	12,885,056	6,493,825	3,871,711	6,914,358	1,818,964	66,968	53,598,104
Inter-segment revenue	792	–	–	321	225	–	–	226	–	36,556	38,120
Segment revenue	**7,680,510**	**5,005,665**	**1,161,773**	**7,700,387**	**12,885,281**	**6,493,825**	**3,871,711**	**6,914,584**	**1,818,964**	**103,524**	**53,636,224**
Including											
Power transfer	7,400,318	4,944,148	1,138,011	7,658,117	12,636,164	6,373,995	3,847,546	6,837,033	1,172,166	–	52,007,498
Technological connection	28,338	44,087	16,116	22,118	205,687	90,811	17,318	43,007	626,901	–	1,094,383
Other profit	251,854	17,430	7,646	20,152	43,430	29,019	6,847	34,544	19,897	103,524	534,34
Financial income	734	337	101	296	365	521	1,499	750	,18,865	22	23,490
Financial expenses	(114,597)	(325,472)	–	(109,215)	(1,198,665)	(15,747)	(141,511)	,(91,788)	(5,131)	–	(2,002,126)
Amortization	767,298	377,555	210,225	901793	806,400	594582	277,042	778309	73,356	4301	4,790,861
EBITDA	**1,829,051**	**822,005,**	**273,152**	**1,457,218**	**3,313,780**	**797,540**	**(278,915)**	**(135,542)**	**587,930**	**850**	**8,667,069**
Assets	**12,038,335**	**7,006,666**	**2,584,610**	**9,925,792**	**13,797,181,**	**8,391,865**	**5,267,446**	**11,470,001**	**2,763,631**	**181,258**	**73,426,785**
Including main assets and unfinished construction	10,210,521	3,039,508	2,398,853	8,769,539	9,154,973	6,723,357	2,994,217	7,191,877	1,143,332	93,534	51,719,711
Capital investment	1,502,868	532,366	305,510	1,683,481	1,968,877	890,706	447,868	800,572,	303,823	30,962	8,467,033
Liabilities	**4,190,778**	**5,376,365**	**261,945**	**3,596,795**	**17,240,069**	**2,186,754**	**3,491,537**	**3,880,256**	**2,269,967**	**118,369**	**42,612,835**

(b) The reconciliation of key segment items measured as reported to the Management Group with similar items in these consolidated financial statements

The reconciliation of segment revenue:

	For a year that ended on December 31	
	2018	2017
Segment revenues	**57,096,728**	**53,636,224**
Intersegment revenue exclusion	(95,366)	(38,120)
Reclassification from other income	(2,611)	(134,252)
Segment revenues	52,272	134,252
Revenues per consolidated statement of profit and loss and other comprehensive income	**57,051,023**	**53,598,104**

The reconciliation of reportable segment EBITDA

	For a year that ended on December 31	
	2018	2018
EBITDA of reporting segments	**8,184,843**	**8,667,069**
Discounting receivables	(301,633)	(269,179)
Adjustment on stock under expected credit loss under accounts receivable and payable (reserve for depreciation)	(53,188)	2,861
Adjustment for finance lease	–	(10,583)
Main asset impairment/reconstruction of impairment	(942,838)	51,592
Adjustment on assets related to employee benefit liability	43,015	(91,345)
Re-measurement of financial assets at fair value through other comprehensive income (transfer of revaluation to equity)	(1,924)	5,508
Other adjustments	661,449	58,532
Unallocated indicators	(471,327)	(106,706)
EBITDA	**7,118,397**	**8,307,749**
Depreciation and amortization	4,024,770	3,539,840
Interest expenses on financial liabilities	2,015,697	1,996,995
Income tax expense	654,546	408,075
Profit for the year per consolidated statement of profit or loss or other comprehensive income	**423,384**	**2,362,839**

The reconciliation of reportable segment total assets is presented below.

	For a year that ended on December 31	
	2018	2018
Total segment assets	**77,718,158**	**73,426,785**
Intersegment balances	(52,696)	(411,239)
Intragroup financial assets	(663,900)	(281,957)
Adjustment for value of property, plant and equipment	(2,892,393)	(3,261,649)
Impairment of property, plant and equipment	(9,217,868)	(9,245,994)
Recognition of assets related to employee benefits	444,621	474,630
Adjustment for expected credit loss and impairment of issued advances	57,319	110,507
Adjustment for deferred tax assets	(2,244,724)	(1,705,656)
Discounting of accounts receivables	(674,679)	(373,046)
Recognition of assets acquired as a financial lease	–	–
Other adjustment	316,466	(220,711)
Unallocated indicators	3,100,846	2,655,270
Total assets per consolidated statement of financial position	**65,891,150**	**61,166,940**

The reconciliation of reportable segment total liabilities is presented below.

	For a year that ended on December 31	
	2018	2017
Total segment liabilities	46,879,085	42,612,835
Intersegment balances	(52,696)	(411,239)
Adjustment of deferred tax liabilities	(2,990,793)	(2,639,975)
Recognition of pension and other long-term liabilities to employees	564,607	605,130
Discounting of accounts payable	(5,671)	(26,707)
Other adjustments	(43,480)	406
Unallocated distributions	4,675,710	4,198,459
Total amount of liabilities in consolidated statements on financial position	49,026,762	44,338,909

(c) Major customer

The Group operates in the Russian Federation. The Group does not receive revenues from foreign customer and does not have non-current assets abroad.

For the year ended December 31, 2018 and December 31, 2017, the Group had a few counterparties, each of which accounted for more than 10% of the Group's total revenue.

Total revenue received from PJSC Krasnoyarskenergosbyt for 2018 amounted 9,019,045 thsd rub., or 15.8% from total revenue of the Group (in 2017 8,269,648 thsd rub., or 15.4%). Revenue received from contractor is reflected in statements of operating segment of Krasnoyarskenergo.

Total revenue received from JSC Chitaenergosbyt for 2018 amounted 6 760 512 thsd rub., or 11,8% from total revenue of the Group (in 2017 – 6,648,141 thsd rub., or 12.4%). Revenue received from the specified contractor is represented in statements of operating segments: Chitaenergo, Buryatenergo.

Total revenue received from LLC Rusenergosbyt for 2018 amounted 6,229,771 thsd rub., or 10.9% form total revenue of the Group (in 2017 – 5,775,310 thsd rub., or 10.8%). Revenue received from the specified contractor is represented in statements of operating segments: Altayenergo, Buryatenergo, Gorno-Altayskiye Power Grids, Kuzbassenergo REG, Omskenergo, Khakasenergo, Chitaenergo.

7. Revenue

	For a year that ended on December 31	
	2018	2017
Electricity transmission	52,687,225	52,007,498
Technological connection services	2,958,313	–
Sales of electricity and capacity	1,028,799	1,094,383
Other revenue*	376,686	496,223
	57,051,023	53,598,104

* Other revenue includes revenue from construction services, lease, services for limitation and renewal of power consumption regime.

8. Other net income (loss)

	For a year that ended on December 31	
	2018	2017
Income from identified non-contracted electricity consumption	58,598	28,471
Income in the form of fines and penalties on commercial contracts	1,904,920	2,328,479
Insurance coverage, net	34,356	12,106
Write-off of accounts payable	17,036	173,774
Income from gratuitously received fixed assets and inventories	194,224	118,295
Subsidies for compensation of short-received income for tariff sale	67,137	–
Income for agreements on compensation of third party expenses	399,647	173,058
Receipts in a form of compensation of incurred loss	187,002	27,015
Net profit/(loss) (profit on disposal of fixed assets)	117,963	117,910
	2,980,883	**2,979,108**

9. Operating expenses

	For a year that ended on December 31	
	2018	2017
Personnel costs	14,230,416	13,240,221
Amortization	4,024,770	3,539,840
Impairment (re-impairment) of property, plant and equipment	942,838	(51,592)
Material expenses, including:		
Electricity for compensation of losses	8,905,093	8,870,961
Electricity for sale	1,514,094	
Purchased electricity and heat power for own needs	573,934	557,053
Other material costs	3,128,225	2,831,815
Production work and services, including:		
Electricity transmission services	12,647,622	13,008,165
Repair and maintenance services	626,397	359,383
Other works and industrial services	1,304,247	571,315
Taxes and levies other income tax	1,113,371	851,103
Rent	278,604	253,983
Insurance	73,351	71,747
Other third-party services, including:		
Communication services	198,540	171,697
Security services	205,993	202,093
Consulting, legal and audit services	180,763	245,332
Software costs and services	236,221	195,539
Transportation services	51,417	38,155
Other services	481,166	470,244
Provision for expected credit losses	3,642,503	3,361,875
Provisions	456,027	769,413
Other expenses	1,828,951	2,062,400
	56,644,543	**51,620,742**

10. Personnel cost

	For a year that ended on December 31	
	2018	2017
Wages and salaries	10,957,651	10,036,599
Social security contributions	3,213,831	3,003,319
Expenses related to defined benefit plan	(45,027)	108,585
Others	103,961	91,718
	14,230,416	13,240,221

There were no contributions to the defined contribution plan for the year ended December 31, 2018 and for the year that ended on December 31, 2017.

Remuneration to key management personnel is disclosed in the Note Related Parties.

11. Financial income and expenses

	For a year that ended on December 31	
	2018	2017
Finance income		
Interest income on bank deposits and balances on bank accounts	55,140	61,830
Dividends receivable	3,928	3,550
Interest income on assets related to employee defined benefits plans	–	37,273
Effect from initial discounting of financial obligations	–	37,749
Amortization of discount for financial assets	224,872	126,238
	283,940	266,640

	For a year that ended on December 31	
	2018	2017
Finance cost		
Interest expenses on financial liabilities measured at amortized cost	2,015,697	1,997,066
Interest expenses on finance lease liabilities	30,135	46,570
Effect from initial discounting of financial obligations	526,505	395,417
Amortization of discount for financial assets	21,036	13,143
	2,593,373	2,452,196

12. Income tax

	For a year that ended on December 31	
	2018	2017
Current income tax		
Accrual of current tax	(596,095)	(880,129)
Adjustment of the tax for the previous periods	93,538	295,726
Total	(502,557)	(584,403)
Deferred income tax		
Accrual and reversal of temporary differences	(151,989)	89,396
Recognition of tax loss transferred to the future in result of calculation of the amount of tax for income received from previous period	–	86,932
Total	(151,989)	176,328
Income tax expense	(654,546)	(408,075)

In a year ended December 31, 2018, PJSC IDGC of Siberia in accordance with provisions of Art. 54 of the Tax Code of the Russian Federation recalculated tax base and amount of income tax for 2015, including recalculation in connection with settlement of disputes with counterparties for the main type of activity at court and pre-trial procedure. As a result of tax base recalculation and submission of revised tax return to tax authorities, the amount of income tax excessively assessed for the tax period 2015 amounted to 165,512 thsd rub. (the revised tax declaration for 2015 states a loss in the amount of 16,833 thsd rub., which, after the completion of tax audit, can be credited to reduction of the tax base of subsequent tax periods).

Income tax recognized in other comprehensive income

	For a year that ended on December 31, 2018			For a year that ended on December 31, 2017		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Available-for-sale financial assets	–	–	–	(5,508)	1,102	(4,406)
Financial assets at fair value through other comprehensive income	1,924	(385)	1,539	–	–	–
Remeasurements of the defined benefit liability	(32,501)	13,047	(19,454)	21,311	11,511	32,822
	(30,577)	12,662	(17,915)	15,803	12,613	28,416

In 2018 and 2017 PJSC IDGC of Siberia and its subsidiaries applied the standard rate of corporate profit tax of 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

The profit before taxation is correlated to income tax expenses as follows.

	For a year that ended on December 31, 2018	Share, %	For a year that ended on December 31, 2017	Share, %
Profit before income tax	1,077,930		2,770,914	
Income tax calculated at the applicable tax rate	(215,586)	20	(554,183)	20
Tax effect of items not deductible / not taxable for taxation purpose	(438,960)	26	146,108	7
Adjustment for prior years	(654,546)		(408,075)	

13. Property, plant and equipment

	Land buildings	Power transmission networks	Power transmission equipment	Other	Construction in progress	Total
Initial/deemed cost						
As of January 1, 2017	12,602,252	39,156,421	16,015,372	10,261,945	5,554,935	83,590,925
Receipts	101,496	283,256	57,582	764,125	7,186,687	8,393,147
Commissioning	672,551	3,261,789	1,392,229	739,231	(6,065,800)	–
Withdrawal	(48,795)	(43,109)	(39,253)	(86,553)	(729,171)	(946,882)
December 31, 2017	13,327,504	42,658,357	17,425,930	11,678,748	5,946,651	91,037,190
Accumulated depreciation and impairment						
As of January 1, 2017	(6,408,394)	(26,734,745)	(7,662,015)	(6,654,167)	(347,078)	(47,806,399)
Commissioning (transfer of loss from impairment)	(2,411)	(4,542)	(17,184)	–	24,137	–
Accrued amortization	(437,320)	(1,326,821)	(794,203)	(819,012)	–	(3,377,356)
Withdrawal	22,239	41,508	22,943	80,815	6,076	173,581
Impairment-re-impairment	136,672	887,952	(1,086,697)	(203,200)	316,865	51,592
December 31, 2017	(6,689,214)	(27,136,648)	(9,537,156)	(7,595,564)	–	(50,958,582)
Remaining value						
As of January 1, 2017	6,193,858	12,421,676	8,353,357	3,607,778	5,207,857	35,784,526
December 31, 2017	6,638,290	15,521,709	7,888,774	4,083,184	5,946,651	40,078,608
Initial/deemed cost						
As of January 1, 2018	13,327,504	42,658,357	17,425,930	11,678,748	5,946,651	91,037,190
Reclassification between groups						
Receipts	161,128	541,063	146,562	954,262	11,545,044	13,348,059
Commissioning	1,016,695	5,921,823	3,781,962	1,286,770	(12,007,250)	–
Withdrawals	(26,937)	(27,297)	(48,029)	(270,779)	(383,336)	(756,378)
December 31, 2018	14,478,390	49,093,946	21,306,425	13,649,000	5,101,109	103,628,870
Accrued amortization and impairment						
As of January 1, 2018	(6,689,214)	(27,136,648)	(9,537,156)	(7,595,564)	–	(50,958,582)
Accrued amortization	(496,042)	(1,690,960),	(774,802)	(896,308)	–	(3,858,112)
Withdrawals	13,474	7,572	13,498	264,606	–	299,150
Impairment/re-impairment	(242,116)	(329,598)	(411,118)	39,994	–	(942,838)
As of December 31, 2018	(7,413,898)	(29,149,634)	(10,709,578)	(8,187,272)	–	(55,460,382)
Remaining value						
As of January 1, 2018	6,638,290	15,521,710	7,888,774	4,083,183	5,946,651	40,078,608
December 31, 2018	7,064,492	19,944,312	10,596,847	5,461,728	5,101,109	48,168,488

As at December 31, 2018 advance payments for property, plant and equipment include in construction in progress in the amount of 157,036 thsd rub. (December 31, 2017: 332,943 thsd rub.), also materials for the construction of property, plant and equipment in the amount of 340,841 thsd rub. (as of December 31, 2017: 434,977 thsd rub.).

For a year that ended on December 31, 2018 capitalized interest amount is 489,824 thsd rub. (December 31, 2017: 380,058 thsd rub.), capitalization rate used to determine the amount of borrowing costs to be capitalized was 8.20% (December 31, 2017: 10.25%).

Depreciation charges were capitalized in the value of capital construction in the amount of 55,289 thsd rub. (December 31, 2017: 46,430 thsd rub.).

No fixed assets are pledged as collateral for loans and borrowings as of December 31, 2018 and December 31, 2017.

Leased property, plant and equipment

Property, plant and equipment includes a number of facilities received under finance lease.

Impairment property, plant and equipment

As the indicators of impairment were revealed, the Group performed an impairment test of the non-current assets as at December 31, 2018. For this purposes, cash flows were analyzed and the calculated replacement cost was compared to the carrying amount of non-current assets.

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

Therefore, the values in use for property, plant and equipment as at December 31, 2018 were determined using projected cash flows method. This method considers the future net cash flows expected to be generated through the usage of property, plant and equipment in the process of operating activities up to its ultimate disposal to determine the recoverable amount of the assets of the Group.

Each cash-generating unit (CGU) is determined by the Group based on the geographical location of the Company's branches and subsidiaries which is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other groups of assets.

The following key assumptions were used in determining the recoverable amounts of each of the cash-generating units:

Forecast cash flows were prepared for the period 2019-2023 for all the CGU and were based on the best estimate of the Group's Management in respect of the transmission volumes, operating and capital expenditures and tariffs approved by regulatory bodies for 2019.

Tariffs for electricity transmission services for forecasted period were estimated using business plans, which were based on the tariff models prepared taking into account annual average growth of tariffs for electricity transmission services in accordance with The socio-economic development of the Russian Federation until 2024 (base option) before October 1, 2018. Tariffs growth rates in 2019-2023 are restricted by inflation rates according to Ministry of Economic Development of the Russian at the rate of 4%.

Forecasted electricity transmission volumes for all CGU were determined based on the Company's business plans for 2019-2023.

The cash flow forecasts were discounted to their present value at the nominal weighted average cost of capital of 10.00%.

Long-term growth rate amounted to 4.00% for all CGUs in the post-forecasted period 4%.

Following the results of testing as of December 31, 2018 a loss from impairment was recognized in the amount of 3,380,827 thsd rub., including loss for CGU of Altayenergo of 2,660,465 thsd rub., for CGU of Gorno-Altayskiye Power Grids of 720,362 thsd rub.

As of December 31, 2018 loss from impairment recognized in previous report periods in the amount of 2,437,989 thsd rub., including CGU of Buryatenergo of 1,157,163 thsd rub., CGU of Kuzbassenergo – REG in the amount of 44,700 thsd rub., CGU of Khakasenergo 1, 236,126 thsd rub.

When reducing growth rate in terminal period for 1% impairment amounts to 2,595,102 thsd rub. (including recognition of a loss in the amount of 4,959,434 thsd rub., re-impairment of 2,364,332 thsd rub.).

14. Intangible assets

	Software	Certificates, licenses and patents	R&D	Others	Total
Initial cost					
As of January 1, 2017	1,600,166	497	28,425	–	1,629,088
Interest capitalization	681	–	–	–	681
Receipts	9,006	–	45,213	–	54,219
Withdrawals	(17,298)	–		–	(17,298)
As of December 31, 2017	1,592,555	497	73,638	–	1,666,690
As of January 1, 2018	1,592,555	497	73,638	–	1,666,690
Reclassification between Groups	1,511	–	(1,511)	–	–
Capitalization of interest	397	–	–	–	397
Receipts	1,756	–	43,150	150	45,056
Withdrawals	(214	–	–	–	(214)
As of December 31, 2018	1,596,005	497	115,277	150	1,711,929
Accumulated amortization and impairment					
As of January 1, 2017	(429,735)	(495)	(15,207)	–	(445,437)
Accumulate amortization	(159,547)	–	(2,937)	–	(162,484)
Withdrawals	1,234	–	–	–	1,234
As of December 31, 2017	(588,048)	(495)	(18,144)	–	(606,687)
As of January 1, 2018	(588,048)	(495)	(18,144)	–	(606,687)
Accumulate amortization	(162,011)	(1)	(4,604)	(42)	(166,658)
Withdrawals	214	–	–	–	214
As of December 31, 2018	(749,845)	(496)	(22,748)	(42)	(773,131)
Balance amortization					
As of January 1, 2017	1,170,431	2	13,218	–	1,183,651
As of December 31, 2017	1,004,507	2	55,494	–	1,060,003
As of December 31, 2018	846,160	1	92,529	108	938,798

Amortization of intangible assets included in operating expenses in the consolidated statement of profit or loss and other comprehensive income amounted to 166,658 thsd rub. (for the year ended December 31, 2017 – 162 484 thsd rub.). In 2018, 2017, depreciation was not capitalized in the value of intangible assets.

Intangible assets are amortized on a straight-line basis.

Sum of expenses for research and development, recognized as part of operating expenses for 2018, amounted to 4,604 thsd rub. (2017 – 2,937 thsd rub.).

The amount of capitalized interest for a year that ended on December 31, 2018 was 397 thsd rub. (for the year ended December 31, 2017 – 861 thsd rub.). The capitalization rate for a year that ended on December 31, 2018 was 8.2% (for a year ended on December 31, 2017 it was 8.42%).

Other intangible assets include cost of website developing for JSC Power Service Company of Siberia in the amount of 150 thsd rub. (initial cost) as of December 31, 2018 (as of December 31, 2017 are not present).

15. Financial investments

	December 31, 2018	December 31, 2017
Non-current		
Financial assets at fair value	73,414	–
Financial assets at fair value which changes are reflected in other comprehensive income	38,775	–
Available-for-sale financial assets	–	36,851
Financial assets held to maturity	–	–
	112,189	38,851

Financial assets at fair value which changes are reflected in other comprehensive income as of December 31, 2018 include shares of PJSC Krasnoyarskenergosbyt (available-for sale assets as of December 31, 2017). Fair value of these shares calculated on the basis of market quotation being published amounted 27,382 thsd rub. and 36,851 thsd rub. respectively.

16. Deferred tax assets and liabilities

Differences between IFRS and Russian tax legislation lead to temporary differences between the carrying value of certain assets and liabilities for financial reporting targets, on the one hand, and for tax targets on income tax, on the other.

(a) Recognized deferred tax assets and liabilities

Deferred tax and liabilities are attributable to the following items.

	Assets		Liabilities		Net	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Property, plant and equipment	–	(14,166)	(1,790,595)	(1,313,785)	(1,790,595)	(1,327,951)
Intangible assets			(16,900)	(2,895)	(16,900)	(2,895)
Reserves	–		(52,133)	(52,970)	(52,133)	(52,970)
Trade and other receivables and advances	–	29,347	807,106	386,049	807,106	415,396
Employee remuneration liabilities	–		7,052	26,100	7,052	26,100
Trade and other accounts payable	–	17,458	562,399	573,763	562,399	591,221
Tax loss to be carried forward	2,510	2,564	–	7,942	2,510	10,506
Other	–	884	39,449	37,924	39,449	38,808
Tax assets/liabilities	**2,510**	**36,087**	**(443,622)**	**(337,872)**	**(441,112)**	**(301,785)**
Net tax assets/liabilities	**2,510**	**36,087**	**(443,622)**	**(337,872)**	**(441,112)**	**(301,785)**

(b) Unrecognized deferred tax assets

Deductible temporary differences and tax losses do not have a statute of limitations in current tax legislation. Deferred tax assets in respect of tax losses and temporary differences were not recognized, because number of loss-making companies of the Group have no high probability of future taxable profit against which corresponding temporary differences and tax losses can be realized.

Unrecognized deferred tax assets in the Group as of December 31, 2018 and at December 31, 2017 are missing.

(c) Movement in temporary differences during the year

	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Property, plant and equipment	(1,327,951)	(462,644)	–	(1,790,595)
Intangible assets	(2,895)	(14,005)	–	(16,900)
Reserves	(52,970)	837	–	(52,133)
Trade and other receivables and advances	415,395	391,711	–	807,106
Employee remuneration liabilities	26,100	(32,095)	13,047	7,052
Trade and other accounts payable	591,222	(28,823)	–	562,399
Tax loss to be carried forward	10,506	(7,996)	–	2,510
Other	38,808	1,026	(385)	39,449
	(301,785)	(151,989)	12,662	(441,112)

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017
Property, plant and equipment	(980,340)	(347,611)	–	(1,327,951)
Intangible assets	(257)	(2,638)	–	(2,895)
Available-for-sale financial investment	–	(1,102)	1,102	–
Reserves	(37,520)	(15,450)	–	(52,970)
Trade and other receivables and advances	(107,455)	522,850	–	415,395
Credits and loans	273	(273)	–	–
Reserves				
Employee benefits	12,093	2,496	11,511	26,100
Trade and other payables	581,664	9,558	–	591,222
Tax loss to be carried forward	2,564	7,942	–	10,506
Others	38,252	556	–	38,808
	(490,726)	176,328	12,613	(301,785)

17. Reserves

	December 31, 2018	December 31, 2017
Raw materials and supplies	1,210,922	1,592,007
Allowance for impairment of raw materials and supplies	(2,555)	(480)
Other reserves	483,030	550,228
Reserve for impairment of other reserves	(1,795)	(270)
	1,689,602	2,141,485

The Group had no reserves that would have been pledged under credit or other contracts as at December 31, 2018 and December 31, 2017.

For a year that ended on December 31, 2018 3 128 225 thsd rub. were recognized as expenses (December 31, 2017: 2 831 815 thsd rub. in operation expenses under item Other material expenses.

18. Trade and other receivables

	December 31, 2018	December 31, 2017 (revised data)
Non-current trade and other account receivables		
Trade receivables	2,099,789	1,265,150
Reserve for expected credit loss for trade receivables	(18)	–
Other trade receivables	623,422	213,495
Total financial assets	**2,723,193**	**1,478,645**
Issued advances	6,341	7,256
	2,729,534	**1,485,901**
Current trade and other account receivables		
Trade receivables	16,264,965	16,943,809
Allowance for expected credit losses on trade receivables	(7,746,208)	(5,542,325)
Other receivables	4,486,012	4,462,712
Allowance for expected credit losses on other receivables	(2,986,777)	(2,414,829)
Total financial assets	**10,017,992**	**13,449,367**
Advances issued	989,599	980,427
Allowance for impairment of issued advances	(162,031)	(220,562)
VAT recoverable	40,577	38,200
VAT for advances of customers and buyers and VAT for advances issued for acquisition of main assets	173,079	384,570
Prepaid taxes, other than income tax	20,196	24,464
	11,079,412	**14,656,466**

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note Management of Financial Risks and Capital.

Balance with related parties is disclosed in Transactions with related parties.

19. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash in bank accounts and cash on hand	139,929	881,174
Cash equivalents	145,304	256,754
	285,233	**1,137,928**

	Rating	Rating agency	December 31, 2018	December 31, 2017
PJSC Sberbank of Russia*	BBB–	Fitch Ratings	43,555	191,098
JSC Bank GPB*	Ba2	Moody's	38,820	608,157
PJSC VTB bank	Ba2	Moody's	2	
JSC AB Rossia	A+(RU)	AKPA	3	27
PJSC CB Svyaz Bank	ruA	Expert RA	18,269	25,824
PJSC Rosbank	ruAAA	Expert RA	7	159
JSC All-Russia Bank for Development of Regions	Ba2	Moody's	51	1
Central Bank of the Russian Federation	–	–	31,331	55,117
PJSC Promsvyazbank	B2	Moody's	7,082	–
Cash on hand	–	–	766	782
Transfers in transit	–	–	43	9
			139,929	**881,174**

*State-related.

Cash equivalents include short-term contribution to bank deposit.

	Rating	Rating agency	December 31, 2018	December 31, 2017	Rating
PJSC Sberbank*	4.49-5.15	BBB–	Fitch Ratings	4,000	4,500
JSC Gazprombank*	5.75-6.90	Ba2	Moody's	141,304	252,254
				145,304	**256,754**

* State-related.

As of December 31, 2018 and December 31, 2017 all cash balance and cash equivalents are nominated in rub.

20. Authorized capital

(a) Authorized capital

	Ordinary shares		Privileged shares	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Nominal cost of one share	0.10	0.10	0.10	0.10
On issue at January 1	94,815,163	94,815,163	5,071,031	5,071,031
On issue at the end of the period, fully paid	94,815,163	94,815,163	5,071,031	5,071,031

(b) Ordinary and privileged shares

According to Company's Charter:

Shareholders owning ordinary shares of the Company have a right to vote at the General Meeting of Shareholders on all issues, receive dividends declared by the Company, exercise other rights and obligations provided by legislation of the Russian Federation and Company's Charter.

Shareholders owning preferred shares of the Company are entitled to receive dividends along with shareholders owning ordinary shares of the Company.

Shareholders owning preferred shares of the Company do not have a right to vote at the General Meeting of Shareholders, except for the following issues:

on Company's reorganization and liquidation;

on applying to Bank of Russia for dismissal of Company's obligation to disclose or provide information under legislation of the Russian Federation on securities;

on making amendments and additions to Company's Charter limiting rights of shareholders owning preferred shares. A decision is considered adopted if at least three quarters of shareholders owning voting shares participating in the General Meeting of Shareholders vote for such decision, except for those shareholders who own preferred shares, and three quarters of all shareholders owning preferred shares;

on applying for delisting of preferred shares. A decision is considered adopted if at least three quarters of shareholders owning voting shares participating in the General Meeting of Shareholders vote for such decision, except for those shareholders who own preferred shares, and three quarters of all shareholders owning preferred shares.

Company's preferred shares are not convertible.

(c) Dividends

Basis for distribution of Company's profits among shareholders in accordance with legislation of the Russian Federation is net profit according to the financial statements prepared in accordance with the Russia accounting and reporting standards.

Following the results of 2017 it was decided to pay dividends under Company's common shares in the mount of 369,579 thsd rub., therewith, 363,423 thsd rub. (following the result of 2017) were paid in 2018.

(d) Additional issue of securities

In 2018 Company did not hold additional issues of securities.

(e) Treasury stock

There are no treasury stock.

21. Earnings per share

The calculation of basic earnings per share for the year that ended on December 31, 2018 was based on revenue attributable to owners of common shares for 2018 in the amount of 429,363 thsd rub. (2017: revenue of 2,352,168 thsd rub.) and average-weighted number of common shares in circulation for 2018 – 94,815 mln pcs. (2017: 94,815 mln pcs.).

Company has no dilutive financial instruments.

In millions of shares	2018	2017
Ordinary shares as of January 1	94,815	94,815
Effect of own shares repurchased from shareholders	–	–
Effect from of placement pf shares	–	–
Weighted average number of shares for the year ended December 31	94,815	94,815

	For a year that ended on December 31, 2018	For a year that ended on December 31, 2017
Weighted average number of ordinary shares outstanding, for the year ended December 31 (millions of shares	94,815	94,815
Earnings for the year attributable to holders of ordinary shares	429,363	2,352,168
Earnings per ordinary share (in RUB) – basic and diluted	0.0045	0.0248

22. Loans and borrowings

	December 31, 2018	December 31, 2017
Non-current liabilities		
Unsecured loans and borrowings	29,169,936	28,922,734
Less: current portion of long-term loans and borrowings	(8,000,000)	(3,453,223)
	21,169,936	25,469,511
Short-term liabilities		
Unsecured loans and borrowings	2,543,666	–
Current par of long-term liabilities for credits and loans	8,031,605	3,484,085
	10,575,271	3,484,085
Including:		
Debts on interest payable on loans and borrowings	31,605	30,862
	10,575,271	3,484,085

All balance of loans and borrowings are denominated in rub. as at December 31, 2018 and December 31, 2017.

	Maturity term	Effective interest rate		Carrying value	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Unsecured loans and borrowings					
Unsecured loans*	2019-2021	7.82-9.80%	8.38-8.72%	15,720,061	12,397,283
Unsecured loans	2019-2021	7.68-9.50%	8.50% (fixed)	13,017,434	14,556,313
Unsecured loans	2019-2021	8.05-9.46%	8.25-8.27%	3,007,712	2,000,000
				31,745,207	28,953,596

* Loans and borrowings received from companies related to the state.

The Group does not use hedging instruments to manage interest rate risk. Information on the Group's exposure to interest rate risk is disclosed in Note Financial Risk and Capital Management.

23. Changes in liabilities arising from financial activities

	The principal amount of debt on financial liabilities, other than finance leases and dividends payable			Dividends to be paid	Other liabilities	Total
	Total	Long-term part	Short-term part			
As of January 01, 2018	28,922,734	25,469,511	3,453,223	413	30,862	28,954,009
Cash flow from financing activities, net	2,790,868	3,700,425	(909,557)	(149,645)	(2,505,175)	136,048
Translation from long-term part to short-term part	–	(8,000,000)	8,000,000	–	–	–
Other changes, net	–	–	–	154,993	2,505,918	2,660,911
As of December 31, 2018	31,713,602	21,169,936	10,543,666	5,761	31,605	31,750,968

	The principal amount of debt on financial liabilities, other than finance leases and dividends payable			Dividends to be paid	Other liabilities	Total
Total	Long-term part	Short-term part				
As of January 1, 2017	23,283,252	16,751,700	6,531,552	423	26,588	23,310,263
Cash flow from financing activities, net	5,639,482	12,171,034	(6,531,552)	(10)	(2,373,460)	3,266,012
Translation from long-term part to short-term part	X	(3,453,223)	3,453,223	–	–	–
Other changes, net	–	–	–	–	2,377,734	2,377,734
As of December 31, 2017	28,922,734	25,469,511	3,453,223	413	30,862	28,954,009

24. Employee benefits

The Group has a defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of several unfunded plans providing for lump-sum payments upon retirement, financial support for current pensioners, death benefits and anniversary benefits.

On October 3, 2018 the President on the Russian Federation signed the Federal Law "On amendments to certain legislative acts of the Russian Federation on the payment and purpose of pensions". The law comes into force on January 1, 2019 and provides for a gradual increase in the retirement age. The net value of pension obligations as of December 31, 2018 is reflected in the light of the impact of changes in pension legislation.

Amounts of defined benefit obligations recognized in the consolidated statement of financial position are presented below.

	December 31, 2018	December 31, 2017
Present value of post-employment benefits obligation	564,607	605,130
Total present value of employee benefit obligation	564,607	605,130

Change in the value of assets related to employee benefit obligations:

	For the year that ended on December 31	
	2018	2017
Value of assets as of January 1	474,630	469,229
Return on plan assets	–	37,273
Employer contributions	–	3,250
Other movements in the accounts	3,458	–
Payments of remuneration	(33,467)	(35,122)
Value of assets as of December 31	444,621	474,630

Assets related to pension plans and defined benefit plans are administrated by JSC Non-State Pension funds of Power Industry. These assets are not the defined benefit plans assets, because according to the conditions of the fund the Group has right to use the contributions paid under defined benefit plans to fund its defined contribution pension plans or transfer to another fund on the Group's own initiative.

Movements in the present value of defined benefit liabilities:

	For a year that ended on December 31, 2018		For a year that ended on December 31, 2017	
	Post-employment benefits obligation	Other long-term employee benefit obligation	Post-employment benefits obligation	Other long-term employee benefit obligation
Defined benefit plan obligations as of January 1	**605,130**		**529,695**	**–**
Current service cost	10,047		31,984	–
Past service cost and sequestration	(55,074)		76,601	–
Interest expense	30,135		46,570	–
Remeasurement effect from:				–
(gain)/loss from change in demographic	18,618		(655)	–
(gain)/loss from change in financial	(23,057)		745	–
(gain)/loss arising from experience	36,940		(35,401)	–
Contributions to the plan	(58,132)		(58,409)	–
Defined benefit plan obligations as of December 31	**564,607**		**605,130**	**–**

Expenses recognized in profit or loss for the period:

	For the year that ended on December 31	
	2018	2017
Employees service cost	(45,027)	108,585
Interest expenses	30,135	46,570
Total expenses recognized in profit or loss	**(14,892)**	**155,155**

(Income)/costs recognized in other comprehensive income for the period:

	For the year that ended on December 31	
	2018	2017
(Gain)/loss from change in demographic actuarial assumptions	18,618	(18,655)
(Gain)/loss from change in financial actuarial assumptions	(23,057)	32,745
(Gain)/loss arising from experience adjustment	36,940	(35,401)
Total (gain)/loss recognized in other comprehensive income	**32,501**	**(21,311)**

Movements in allowance for remeasurement of employee benefit obligations in other comprehensive income during the year:

	For the year that ended on December 31	
	2018	2017
Remeasurements as of January 1	**410,589**	**431,900**
Movement of remeasurements	32,501	(21,311)
Remeasurements as of December 31	**443,090**	**410,589**

The key actuarial assumptions are as follows:

	December 31, 2018	December 31, 2017
Financial assumptions		
Discount rate	8.7%	7.5%
Future salary increase	4.6%	4.5%
Inflation rate	4.1%	4.0%
Demographic assumptions		
Expected age of retirement		
Men	60	60
Women	56	55
Average level of staff movement	10.9%	11.8%

A sensitivity of total employee benefits obligations to changes in the key actuarial assumptions is as follows:

	Change in assumptions	Impact on obligations
Discount rate	Increase/decrease for 0.5%	Change for 5.1%
Future salary growth	Increase/decrease for 0.5%	Change for 2.4%
Future growth of benefits (inflations) Level of staff movement	Increase/decrease for 0.5%	Change for 2.3%
Level of staff movement	Increase/decrease for 10%	Change for 1.6%
Mortality level	Increase/decrease for 10%	Change for 1.9%

	December 31, 2018	December 31, 2017
Cost of employee benefit commitments	(564,607)	(605,130)
Asset value	444,621	474,630
Net value	**(119,986)**	**(130,500)**

Expected payments under the defined long-term employee benefit plans to employees in 2019 are 58 430 thsd rub., 58 430 thsd rub. thsd under the defined benefit plans, including non-state pension schemes.

25. Trade and other payables

	December 31, 2018	December 31, 2017
Long-term accounts payables		
Trade payables	1,018,181	–
Other payables	556,908	169,086
Total financial liabilities	1,575,089	169,086
Advance from customers	64,877	148,520
	1,639,966	317,606
Short-term accounts payables		
Trade payables	8,720,965	6,240,294
Other payables and accrued expenses	406,763	1,169,566
Payables to employees	2,158,599	2,151,395
Dividends payable	5,761	413
Total financial liabilities	11,292,088	9,561,668
Advance from customers	1,139,348	1,952,190
	12,431,436	11,513,858
Taxes payables		
VAT	520,426	653,235
Property tax	219,263	139,109
Social security contributions	323,047	299,371
Other taxes payable	150,087	137,496
	1,212,823	1,229,211
	13,644,259	12,743,069

The Group's exposure to liquidity risk related to payables is disclosed in Note capital and Financial Risk Management.

Long-term advances of customers include advance for service of technological connection to electric grids in the amount 46,753 thsd rub. as at December 31, 2018 (as at December 31, 2017: 143,322 thsd rub.).

26. Provisions

	For the year that ended on December 31	
	2018	2017
Balance at January 1	1,277,276	1,754,381
Increase for the period	729,389	1,098,537
Decrease due to reversal of provisions	(273,362)	(329,124)
Provisions used	(755,115)	(1,246,518)
Balance at December 31	978,188	1,277,276

Provisions relate mainly to legal proceedings and claims against the Group on ordinary activities.

27. Financial risk and capital management

In the normal course of its business the Group is exposed to a variety of financial risks, including but not limited to: market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This note provides information on the Group's exposure to each of these risks, examines the goals, policies and procedures for assessing and managing risks and the Group's capital management system. More detailed quantitative information is disclosed in the relevant sections of these consolidated financial statements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

(i) Trade and other receivables

In order to manage credit risk, The Group uses a prepayment system in relations with customers, whenever possible. As a rule, the prepayment for the technological connection services of customers to the networks is stipulated by the contract. The Group doesn't require collateral for receivables.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group takes appropriate measures for the timely collection of receivables. In order to implement measured to reduce and prevent the growth of accounts receivables, the debt is divided mainly in to current, overdue, doubtful and bad. When monitoring credit risk, buyers are grouped by type of receivables and maturities.

The Group creates an allowance for expected credit losses on trade and other receivables, the estimated value of which is determined based on the model of expected credit losses weighted by the degree of probability of a default and can be adjusted upwards or downwards. To do this, the Group analyzes the creditworthiness of customers, the dynamics of debt repayment, takes into account changes in the terms of payment, the availability of letters of guarantee about debt repayment, the current general economic conditions.

Level of credit risk

The carrying amount of financial assets reflects the Group's maximum exposure to credit risk. At the balance sheet date the maximum level of credit risk was:

	Carrying amount	
	December 31, 2018	December 31, 2017
Trade and other receivables (except for a reserve for expected credit loss/depreciation)	13,808,946	14,981,940
Cash and cash equivalents	139,929	881,174
Bank deposits	145,304	256,754
	14,094,179	16,119,868

At the balance sheet date the maximum level of credit risk in respect of trade receivables (excluding other receivables) by customer groups was as follows:

	Total nominal value	Reserve for expected credit loss	Total nominal value	Reserve for depreciation
	December 31, 2018	December 31, 2018	December 31, 2017	December 31, 2017
Buyers of electricity sales services	990,986	(529,106)	334,068	(329,193)
Buyers of electricity transmission services	16,966,823	(7,028,325)	16,382,237	(4,844,745)
Buyers of technological connection to networks	248,318	(133,193)	254,817	(42,931)
Other buyers	158,627	(55,602)	78,266,	(41,466)
	18,364,754	(7,746,226)	17,049,388	(5,258,335)

Carrying amount of trade receivables attributable to the ten largest debtors of the Group amounted 8 929 851 thsd rub. as of December 31, 2018 (December 31, 2017: 11,100,308 thsd rub.).

Allowance for expected credit losses of trade and other receivables

The aging of trade and other receivables is provided below:

	Total nominal value	Reserve for expected credit loss	Total nominal value	Reserve for depreciation
	December 31, 2018	December 31, 2018	December 31, 2017	December 31, 2017
No past due	8,912,837	(1,451,452)	8,455,122	(1,314,230)
Past due less than 3 month	1,893,006	(605,010)	1,880,905	(582,844)
Past due more than 3 months and less than 6 months	1,331,021	(548,362)	1,471,469	(466,233)
Pat due more than 6 month and less than 1 year	3,018,784	(1,764,692)	3,531,368	(1,032,503)
Past due more than 1 year	8,318,540	(6,363,487)	6,350,592	(4,223,426)
	23,474,188	(10,733,003)	21,689,456	(7,619,236)

The Group believes that the overdue unimpaired accounts receivables are highly recoverable at the Financial Statement date.

The movement in the allowance for expected credit losses (the allowance for impairment of trade and other receivables in accordance with IAS 39) was as follows.

	For a year that ended on December 31, 2018 and as of that date	For a year that ended on December 31, 2017 and as of that date
Balance at January 1 in accordance with IAS 39		5,132,260
Balance for allowance for expected credit losses at January 1, 2018 in accordance with IFRS 9	7,957,154	
Increase for the period	5,309,982	8,164,676
Amounts of trade and other receivables written off using the allowance for impairment accrued earlier	(865,387)	(508,193)
Reversal for allowance for impairment for the period	(1,668,746)	(4,831,589)
Balance as of December 31	10,733,003	
Balance at December 31, 2017 in accordance with IAS 39		7,957,154

Offset agreements or similar agreements

The Group may enter into procurement and sales agreements with the same counterparties in the progress of routine business conditions. Respective amounts of receivables and payables do not always meet the criteria for offsetting in the statement of financial position. This is connected with a fact that the Group may not currently have a legally enforceable right to set-off recognized amounts, since a right to set-off may have legal force only when certain events occur. In particular, in accordance with the civil law in Russia an obligation can be settled by offsetting a uniform claim a term of which has come or not specified or determined as of the moment of demand.

The following table represents a carrying value of recognized financial instruments that are a subject of the above agreements.

	December 31, 2018		December 31, 2017	
	Trade and other		Trade and other	
	receivables	payables	receivables	payables
Gross amounts	17,573,351	7,015,721	18,744,437	7,909,884
Reserve for expected credit loss for account receivables	(3,059,120)		(1,096,668)	–
Amounts mutually offset in accordance with IFRS (IAS) 32	(6,044,739)	(6,044,739)	(7,053,860)	(7,053,860)
Net amounts represented in statements on financial positions	8,469,492	970,982	10,593,909	856,024

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management of liquidity risk involves maintaining sufficient cash and the availability of financial resources by securing credit lines. The Group adheres to a balanced model of financing working capital by using both short-term and long-term sources. Basically temporarily free funds invested in the short-term financial instruments such as Bank deposits.

The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation. This approach is used to analyze payment dates associated with financial assets, and also to forecast cash flows from operating activities.

As of December 31, 2018 amount of free limit for open but unused credit lines of the Group amounted 30,836,398 thsd rub. (17,012,267 thsd rub. as of December 31, 2017). The Group has an opportunity to attract additional financing within appropriate limits, including financing for security of short-term obligations

Information about the contractual maturities of financial liabilities, including estimated interest payments and without influence of netting, is provided below. With respect to the cash flows included in the maturity analysis, it is not expected that they can arise much earlier in time or in significantly different amounts.

December 31, 2018	Carrying amount	Contractual cash flows	Before 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Non-derivative financial liabilities								
Loans and borrowings	31,745,207	35,433,119	11,264,134	19,002,232	5,166,753	–	–	–
Trade and other payables	10,708,578	10,708,578	10,151,670	21,468	535,440	–	–	–
	42,453,785	46,141,697	21,415,804	19,023,700	5,702,193	–	–	–

December 31, 2017	Carrying amount	Contractual cash flows	Before 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Above 5 years
Non-derivative financial liabilities								
Loans and borrowings	28,953,596	33,343,822	3,641,826	16,750,360	12,951,636	–	–	–
Trade and other payables	7,579,359	7,579,359	7,410,273	165,678	–	3,408	–	–
	36,532,955	40,923,181	11,052,099	16,916,038	12,951,636	3,408	–	–

(c) Market risk

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

(i) Currency risk

The majority of the Group's revenues and expenditures, monetary assets and liabilities are denominated in RUB, and as such financial results are insignificantly impacted by changes in exchange rates.

(ii) Interest rate risk

Changes in interest rates mainly affect loans and borrowings, since they change either their fair value (for loans and borrowings with a fixed interest rate) or future cash flows (for loans and borrowings with a floating interest rate). The Group Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or floating interest rates. However, making a decision about new loans and borrowings, the Management of Group gives priority to loans and borrowings with fixed interest rates and as a result, the Group is exposed to interest rate risk to a limited extent.

As a rule, loan agreements entered into by the Group do not contain and charges for the early repayment of loans on the borrower's initiative, which facilitates additional flexibility in relation to optimizing interest rates in the current economic environment.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss for the period. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Group does not have a cash flow from financial instruments with a floating interest rate.

(iii) Other market price risk

Risk of change in price of equity instruments arises in relation to equity securities measured at fair value through other comprehensive income. Management of the Group monitors changes in value of the investment portfolio based on market indices. Significant investments in this portfolio are managed separately, and all decisions on buying and selling are approved by management of the Group.

As of December 31, 2018 financial assets measured through other comprehensive income exposed to a risk of change in price of security amounted 38,775 thsd rub. (December 31, 2017: 35,851,35,851 thsd rub.). If prices of shares were 10% higher (lower) at constant values of all other variables other comprehensive income would increase (decrease) by 3,878 thsd rub.

(d) Fair value and carrying amount

Below is a comparison of the fair and book value of the Group's financial instruments, excluding those financial instruments whose book value corresponds to their fair value.

Financial instruments	Notes	December 31, 2017		Level of fair value hierarchy		
		Carrying value	Fair value	1	2	3
Available-for-sale financial assets	X	36,851	36,851	36,851	–	–
Short-term and long-term credits and loans	X	(28,953,596)	(28,970,246)	–	(28,970,246)	–
		(28,916,745)	(28,933,395)	36,851	(28,970,246)	–

Financial instruments	Notes	December 31, 2018		Level of fair value hierarchy		
		Carrying value	Fair value	1	2	3
Other financial assets measured at depreciated cost	X	73,414	73,414	–	–	–
Financial assets measured at fair value through other comprehensive income	X	38,775	38,775	38,775	–	–
Short-term and long-term credits and loans	X	(31,745,207)	(31,172,484)	–	(31,172,484)	–
		(31,633,018)	(31,060,295)	38,775	(31,172,484)	73,414

During the year ended December 31, 2018, there was no transfer between the levels of the fair value hierarchy.

Reconciliation of the carrying amount of financial assets at fair value through other comprehensive income at the beginning and end of the reporting period is presented in the table below.

	Financial assets measured at fair value through profit and loss	Financial assets measured at fair value through other comprehensive income
As of January 1, 2018	–	36,851
Change in fair value recognized in other comprehensive income	–	1,924
As of December 31, 2018	–	38,775

(e) Capital management

The main goal of capital management for the Group is to maintain a consistently high level of capital that allows investors, creditors and market participants to remain in trust and ensure sustainable business development in the future.

The Group monitors the dynamics of indicators of the capital structure (borrowed and owned), including the ratio of borrowed funds (the objective limit for the financial lever), calculated on the basis of the date of the accounting statements under RAS. In accordance with credit policy the Groups' companies must maintain the loan ratio, calculated as the ratio of the total amount of borrowed funds to the total amount of capital at a level no higher than 1.

The Company and its subsidiaries are required to comply with the statutory requirements for adequacy of equity capital, according to which the value of their net assets, determined in accordance with Russian accounting principles, must constantly exceed the amount of the authorized capital.

As of December 31, 2018 indicators of associated company Tyvaenergo did not meet the abovementioned requirements. As of the moment Management of the Group takes measures in order to ensure compliance with all requirements of the legislation as soon as possible. The Management believes that violation of the terms does not significantly influence consolidated financial statements of the Group.

Operating leases

Expenses for operating leases for a year that ended on December 31, 2018 are represented as a part of operating expenses in the amount of 278,604 thsd rub. (for the year that ended on December 31, 2017 – 253,983 thsd rub.).

Payments under operating lease agreements are payable in the following order.

	December 31, 2018	December 31, 2017
Less than 1 year	212,419	173,116
1-5 years	549,265	452,380
More than 5 years	2,056,492	2,615,800
	2,818,176	3,241,296

28. Capital commitments

As of December 31, 2018, The Group has outstanding commitments under contract for the purchase and construction of property, plant and equipment items for 9,444,302 thsd rub. inclusive of VAT (as at December 31, 2017: 3,257,324 thsd rub. inclusive of VAT).

29. Contingent liabilities

(a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage, reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets, civil liability and other insurable risks. The main business assets of the Group have insurance coverage in case of damage or loss assets. However, there are risks of negative impact on the operations and the financial position of the Group in the case of damage caused to third parties, and as a result of damage or loss of assets, insurance protection of which is non-existent or not fully implemented.

(b) Taxation contingencies

Russian tax and customs legislation is subject to varying interpretations regarding the operations and activities of the Group. Accordingly, management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually increasing. In particular, the risk of checking the tax aspect of transactions without obvious economic sense or with counterparties that violate tax laws is increasing. Tax audits may cover the three calendar years preceding the year of the decision on the tax audit. Under certain conditions, earlier periods may also be subject to verification.

New transfer pricing legislation came into force since January 1, 2012, which significantly changed the rules for transfer pricing, bringing them closer to the principles of the organization for economic cooperation and development (OECD), but also to create additional uncertainty in connection with practical application of tax legislation in individual cases.

The practice of applying new rules on transfer pricing by tax authorities and laws is absent, since tax inspections for compliance with new rule of transfer pricing have recently begun. However, it is expected that transactions that are governed by transfer pricing rules will be subject to detailed verification, which could potentially have an impact on these consolidated financial statements.

As the practice of applying taxation rules for property tax, tax authorities and courts can be challenged, the criteria for classifying property as movable or immovable property used by the Group may be challenged. The management of the Group cannot predict the outcome and amount of potential costs to settle potential tax risks.

At December 31, 2018, management believes that the relevant provisions of the law are interpreted correctly, and the position of the Group in terms of compliance with tax, currency and customs legislation can be justified and protected.

(c) Litigations

The Group is a party to a number of litigations (both as a plaintiff and as respondent) arising in the ordinary course of business. In the opinion of Management, there are currently no outstanding claims or other claims that could have a material impact on the Group's results of operations or financial position and would not be recognized or disclosed in the consolidated financial statements.

(d) Environmental matters

The Group has operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation continues to evolve, responsibilities of authorized Government bodies to oversee are being reconsidered. Potential environmental liabilities arise from changes in interpretations of existing legislation, lawsuits or changes in legislation can be assessed. In the opinion of management under the existing control system and under current legislation, there are no probable liabilities that could have a material adverse effect on the financial position, results of operations or cash flows of the Group.

30. Third party transactions

(a) Control relationships

Related parties are shareholders, affiliates and entities under common ownership and control of the Group, members of the Board of Directors and key management personnel of the Company.
The Company's parent as ofDecember 31, 2018 and December 31, 2017 was PJSC "Russian Grids". The final controlling party is the state represented by the Federal Property Management Agency, which owns a controlling stake in PJSC "Russian Grids".

(b) Transactions with the parent company, its subsidiaries and associates

Transactions with the parent company, its subsidiaries and associates include operations with PJSC "Russian Grids", its subsidiaries and associates:

	Amount of transaction for the year that ended on December 31	
	2018	2017
Revenue, net other income, finance income		
Parent company	791	789
Other revenue	786	786
Dividends to be received	5	3
Entities under common control of the parent company	1,182,428	1,089,458
Transfer of power	1,045,925	993,725
Technological connection to power grids	615	257
Power sale	2,780	–
Other revenue	58,501	11,561
Net other income (sale of inventory and supplies, expense reimbursement agreement, profit and loss of previous years, state duty)	74,063	83,367
Dividends to be received	544	548
	1,183,219	1,090,247

	Amount of transaction for the year that ended on December 31	
	2018	2018
Operating expenses, financial cost		
Parent company	171,402	241,821
Consultation, legal and audit services	141,204	211,624
Other production works and services	23,024	23,023
Other expenses	7,174	7,174
Enterprises under general control of a parent company	10,980,282	11,729,191
Power for sale	4,082	–
Services for transfer of power	10,323,191	10,778,788
Services for technological connection to power grids	2,504	1,479
Power for compensation of loss	211,511	209,675
Repair and maintenance services	73,976	355
Lease	34,912	40,508
Software expenses	20,763	8,260
Reserve for expected credit loss		
Reserves	(15,008)	88,708
Other expenses	324,351	601,418
	11,151,684	11,971,012

	Carrying value	
	December 31, 2018	December 31, 2017
Parent company	–	3
Issued advances	–	3
Enterprises under general control of a parent company	35,304	38,260
Issued advances	31,277	33,679
Received advances	4,027	4,581
	35,304	38,263

The debt to the parent company for the payment of dividends is absent as of December 31, 2018.

(c) Transactions with key management personnel

In order to prepare these consolidated financial statements, the key management personnel are members of the Board of Directors, the management Board, General Directors of subsidiaries and other key management personnel.

The Group has no transactions or balance with key management and close family members, expect for their remuneration in the form of salary and bonuses.

The amounts of remuneration to key management personnel disclosed in the table represent the current period expenses for key management personnel reflected in employee benefits.

	For the year that ended on December 31	
	2018	2017
Short-term employee benefits	274,481	242,363
Remuneration upon retirements and other long-term remuneration	270	–
Retirement benefits	1,953	2,341
	276,704	244,704

As of December 31, 2018 current value of the defined benefit obligation is shown in the consolidated statement of financial position and includes liabilities for key management personnel in the amount of 21,067 thsd rub.(as of December 31, 2017: 58,149 thsd rub.).

(d) Transactions with state-related companies

In the course of its operating activities, the Group is engaged in many transactions with state-controlled entities. These transactions are carried out in accordance with regulated tariffs or based on market prices.

Revenue from state-related companies amount to 7.41% from total revenue of the Group for the year that ended on December 31, 2018 (for the year that ended on December 31, 2017: 42.91%), including 5.68% of revenue from transfer of power (for the year that ended on December 31, 2017: 42.1%).

Power transmission costs (including compensation of technological losses) for state-controlled entities for the year ended December 31, 2018 constitute 82.6% (for the year ended December 31, 2017: 91.9%) of total electricity transmission costs.

Interest accrued for credits and loans from state-related banks for the year that ended on December 31, 2018 amounted 73.16% from total amount of interests (for the year that ended on December 31, 2017 – 100%).

As of December 31, 2018 balance of cash and cash equivalents held with state-controlled banks is 259,012 thsd rub (December 31, 2017 – 799,255 thsd rub.)

As of December 31, 2018 there are no deposits with initial offering period of more than three months place in state-controlled banks.

Loans and borrowings received from state-controlled banks are disclosed in "Credits and loans".

31. Events after report date

On January 1, 2019 PJSC IDGC of Siberia and JSC Ulan-Ude Energo made and agreement under which accounts receivable of JSC Ulan-Ude Energo to JSC IDGC of Siberia in the amount of 1,539,036 thsd rub. under power service agreement was setoff as an advance payment under agreements on lease of movable and immovable property made on December 28, 2018 between PJSC IDGC of Siberia and JSC Ulan-Ude Energo.

Other events that could significantly influence Company's financial positions after December 31, 2018 did not take place.