

**PJSC IDGC OF NORTHERN CAUCASUS
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016
(UNAUDITED)**

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PJSC IDGC of Northern Caucasus
 Consolidated Interim Statement of Financial Position as at 30 June 2016
 (Unaudited)
 (thousands of Russian Roubles, unless otherwise stated)

Notes	30 June 2016	31 December 2015
ASSETS		
Non-current assets		
Property, plant and equipment	7 14,716,185	14,993,930
Intangible assets	86,411	99,930
Accounts receivables and loans issued	70,432	82,764
Deferred tax assets	2,763,078	2,984,760
Other non-current assets	1,078,238	1,060,702
Total non-current assets	18,714,344	19,222,086
Current assets		
Inventories	633,908	532,046
Income tax receivable	38,645	38,925
Trade and other receivables	3,937,148	3,431,965
Prepayments for current assets	23,875	16,905
Cash and cash equivalents	1,465,206	1,604,508
Non-current assets held for sale	8,140	8,583
Total current assets	6,106,922	5,632,932
TOTAL ASSETS	24,821,266	24,855,018
EQUITY AND LIABILITIES		
Equity		
Share capital	8 154,562	154,562
Additional paid in capital	5,052,502	5,052,502
Reserves	(182,941)	(109,315)
Retained (loss)/earnings	(1,511,636)	1,231,819
Total equity	3,512,487	6,329,568
Non-current liabilities		
Loans and borrowings	9 7,788,197	4,126,758
Trade and other payables	420,881	470,879
Employee benefits	765,419	660,876
Total non-current liabilities	8,974,497	5,258,513
Current liabilities		
Loans and borrowings	9 2,039,949	5,260,877
Trade and other payables	9,060,568	6,866,043
Provisions	10 58,372	113,063
Other taxes payable	842,090	693,651
Current tax liabilities	333,303	333,303
Total current liabilities	12,334,282	13,266,937
Total liabilities	21,308,779	18,525,450
TOTAL EQUITY AND LIABILITIES	24,821,266	24,855,018

These Consolidated Interim Condensed Financial Statements were approved by management on 23 August 2016 and were signed on its behalf by:

First Deputy General Director

Acting Chief accountant



(Handwritten signatures of I.V. Thakahova and S.V. Lazorenko)

I.V. Thakahova

S.V. Lazorenko

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 23.

PJSC IDGC of Northern Caucasus
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2016
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

	Notes	For the six months ended	
		30 June 2016	30 June 2015
Revenue	11	8,343,390	7,620,000
Operating expenses	12	(10,554,334)	(10,862,852)
Other income, net		65,612	68,481
Operating loss		(2,145,332)	(3,174,371)
Finance income		96,457	119,372
Finance costs		(469,850)	(229,615)
Loss before income tax		(2,518,725)	(3,284,614)
(Expense)/benefit of income tax		(224,730)	337,158
Loss for the period		(2,743,455)	(2,947,456)
Other comprehensive income/(loss)			
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement of defined benefit liability		(76,675)	(62,228)
Related income tax		3,049	(1,041)
<i>Total items that will never be reclassified to profit or loss</i>		<i>(73,626)</i>	<i>(63,269)</i>
Other comprehensive loss, net of income tax		(73,626)	(63,269)
Total comprehensive loss for the period		(2,817,081)	(3,010,725)
Loss per share - basic and diluted (in RUB)	8	(17.75)	(19.07)

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 23.

PJSC IDGC of Northern Caucasus
Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2016
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

	Note	For the six months ended	
		30 June 2016	30 June 2015
OPERATING ACTIVITIES:			
Loss before income tax		(2,518,725)	(3,284,614)
<i>Adjustments for:</i>			
Depreciation and amortisation	12	790,608	734,930
Allowance for impairment of accounts receivable	12	638,308	1,843,095
Allowance for obsolescence of inventories		(49)	(5,846)
Impairment loss on property, plant and equipment	12	–	56,848
Provision for unused vacation		77,378	(9,177)
Provision for legal processes	10,12	(6,191)	467,826
Finance income		(96,457)	(119,372)
Finance costs		469,850	229,615
Gain on disposal of property, plant and equipment		(5,851)	(20,509)
Operating loss before working capital changes		(651,129)	(107,204)
<i>Changes in working capital:</i>			
Change in accounts receivable		(1,552,117)	(1,143,902)
Change in prepayments for current assets		(6,970)	(7,362)
Change in inventories		(96,545)	150,887
Change in financial assets related to the employee benefit fund		1,836	3,761
Change in accounts payable		2,413,898	(673,218)
Change in employee benefits		(2,361)	1,091
Change in other taxes payable		148,439	1,499,154
Cash flows from/(used in) operations before income tax and interest paid		255,051	(276,793)
Interest paid		(428,937)	(394,977)
Income tax paid in cash		–	(70,381)
Net cash flows used in operating activities		(173,886)	(742,151)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(375,823)	(596,580)
Proceeds from disposal of property, plant and equipment		1,509	16,000
Proceeds from disposal of assets held for sale		530	–
Acquisition of intangible assets		(7,572)	(19,538)
Loans issued		(74,727)	–
Interest received		60,533	54,882
Net cash flows used in investing activities		(395,550)	(545,236)
FINANCING ACTIVITIES:			
Proceeds from loans and borrowings		3,661,439	1,062,211
Repayment of loans and borrowings		(3,227,045)	–
Dividends paid		(562)	(14)
Repayment of finance lease liabilities		(3,698)	(2,825)
Net cash flows from financing activities		430,134	1,059,372
Net decrease in cash and cash equivalents		(139,302)	(228,015)
Cash and cash equivalents at the beginning of the period		1,604,508	1,858,201
Cash and cash equivalents at the end of the period		1,465,206	1,630,186

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 7 to 23.

PJSC IDGC of Northern Caucasus
Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2016
(Unaudited)
(thousands of Russian Roubles, unless otherwise stated)

	Share capital	Additional paid in capital	Reserves	Retained loss	Total equity
Balance at 1 January 2015	154,562	5,052,502	(142,755)	(4,878,846)	185,463
Loss for the period	-	-	-	(2,947,456)	(2,947,456)
Remeasurement of defined post-employment benefit liability	-	-	(62,228)	-	(62,228)
Related income tax	-	-	(1,041)	-	(1,041)
Total comprehensive loss for the period	-	-	(63,269)	(2,947,456)	(3,010,725)
Balance at 30 June 2015	154,562	5,052,502	(206,024)	(7,826,302)	(2,825,262)
	Share capital	Additional paid in capital	Reserves	Retained profit/(loss)	Total equity
Balance at 1 January 2016	154,562	5,052,502	(109,315)	1,231,819	6,329,568
Loss for the period	-	-	-	(2,743,455)	(2,743,455)
Remeasurement of defined post-employment benefit liability	-	-	(76,675)	-	(76,675)
Related income tax	-	-	3,049	-	3,049
Total comprehensive loss for the period	-	-	(73,626)	(2,743,455)	(2,817,081)
Balance at 30 June 2016	154,562	5,052,502	(182,941)	(1,511,636)	3,512,487

Note 1. Background

(a) The Group and its operations

Public Joint Stock Company Interregional Distribution Grid Company of Northern Caucasus (hereafter, the "Company" or "PJSC IDGC of Northern Caucasus") and its subsidiaries (together referred to as the "Group") comprise joint stock companies as defined in the Civil Code of the Russian Federation. The Company was set up on 14 June 2006. Until 1 August 2007 the Company was named OJSC Southern Grid Company.

On 1 April 2008 the reorganization of the Company was completed through the merger of the grid companies of JSC Stavropolenergo, JSC Dagenenergo, and JSC Caucasian Energy Management Company.

The Company's registered office is 13A, Podstancionnaya Street, Energetik village, Pyatigorsk, Stavropol region, the Russian Federation, 357506.

The Group consists of the Company and its subsidiaries:

Name	Ownership, %		
	30 June 2016	31 December 2015	30 June 2015
JSC Grid Company of Dagestan	100.0	100.0	100.0
OJSC Dagenergoset	–	–	100.0

According to the court decision dated 26 October 2015 OJSC Dagenergoset entered in the bankruptcy proceedings – observation. Hence, from this moment the Company lost control over the subsidiary and the deconsolidation of the subsidiary was recognised in the consolidated financial statements for the year ended 31 December 2015 (Note 5). From 1 July 2015 the operating activity of OJSC Dagenergoset was transferred to JSC Grid Company of Dagestan.

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

As at 30 June 2016 and as at 31 December 2015 the Russian Government owned 86.32% of the voting ordinary shares and 7.01% of the preference shares of PJSC ROSSETI, which in turn owned 92.00% of the Company.

(b) Relations with the state and regulation of the Group

Since its foundation the Company has been under control of the Government of the Russian Federation. The Government of the Russian Federation influences the Group's activities through setting power transmission and distribution tariffs.

In accordance with legislation, the Group's tariffs are controlled by the Federal Antimonopoly Service and by the Executive Bodies of subjects of the Russian Federation in the field of state regulation of tariffs.

(c) Russian business environment

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the national economics and financial markets, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Note 2. Basis of preparation

(a) Statement of compliance

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements which were prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRSs").

(b) Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRS as at 1 January 2010.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated interim condensed financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, except when otherwise indicated.

(d) Going concern

These consolidated interim condensed financial statements have been prepared on a going concern basis.

As at 30 June 2016 the Group had a net working capital deficit of RUB 6,227,360 thousand (as at 31 December 2015: RUB 7,634,005 thousand).

The net loss of the Group of RUB 2,743,455 thousand for the six months ended 30 June 2016, including carrying losses of JSC Grid Company of Dagestan of RUB 1,975,371 thousand (for the six months ended 30 June 2015: RUB 2,947,456 thousand, including carrying losses of OJSC Dageenergaset of RUB 1,421,180 thousand).

From 1 July 2015 operating activity of OJSC Dageenergaset was transferred to JSC Grid Company of Dagestan. Tariff setting issues in the Dagestan Republic are under control of Management and the Board of Directors of the Company, the strategic decisions are taken in order to improve finance results of the company in the region.

Management monitors maturities of the estimated cash flows from operating and financing activities and manages current liquidity using open credit lines. As at 30 June 2016 the Group had unused credit lines in the amount of RUB 1,526,821 thousand (as at 31 December 2015: RUB 1,213,815 thousand). Management considers that the Group has the ability to raise additional loans and borrowings.

In order to increase efficiency of working capital management the Group is focused on an increased collection of trade receivables, including doubtful receivables. The Group approved a plan of measures to reduce outstanding receivables for electricity transmission and settlement of disputes with customers. The issues regarding collection of receivables are considered by the Management Board on a regular basis.

Management believes that the Group has adequate resources to continue operation activities and to repay current liabilities. Management also believes that measures taken would be able to improve finance statements of the Group and there is no significant uncertainty regarding the Group’s ability to continue as going concern in the foreseeable future.

(e) Use of judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, 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 those estimates.

In preparing these consolidated interim condensed financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015. The key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Note 3. Significant accounting policies

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015, except for the changes related to the application of new standards and interpretations in force from 1 January 2016.

New standards and interpretations not yet adopted

A number of new Standards and amendments to Standards are not yet effective up to the date of issuance of the financial statements, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- IFRS 16 *Leases*. IFRS 16 is partly or fully retrospectively effective for annual periods beginning on or after 1 January 2019, with earlier application permitted under the simultaneous application of IFRS 15.

The Group is currently assessing the impact of these standards on the consolidated financial information. The Group does not intend to adopt these standards early.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* in respect of sale of contribution of assets between an investor and its associate of joint venture;
- Amendments to IAS 12 entitled *Recognition of deferred tax assets for unrealized losses*;
- Amendments to IAS 7 entitled *Disclosure Initiative*.

These amendments are not expected to have any impact or impact significantly on the Group's consolidated financial information.

Impact of new Standards and amendments to Standards

The following Standards and amendments to Standards which are effective from 1 January 2016 the Group applied for the first time. However, they do not impact or significantly impact the consolidated interim condensed financial statements:

- *Annual Improvements 2012-2014 Cycle*.
- IFRS 14 *Regulatory Deferral Accounts*;
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*;
- Amendment to IFRS 11 *Joint Arrangements*;
- Amendments to IAS 27 *Separate financial statements*;

Note 4. Determination of fair value

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

In preparing these consolidated interim condensed financial statements, the methods for determination of fair values were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Note 5. Deconsolidation of a subsidiary

In 2015 OJSC Dagenegoset entered in the bankruptcy proceedings. According to the court decision dated 26 October 2015 OJSC Dagenegoset became subjected to the control of the interim trustee. Hence, as of 26 October 2015 the Company lost control over the subsidiary. At this point in time the Company recognised the fair value of the investment retained in the former subsidiary in the amount of RUB 150 thousand. The investment was impaired down to zero.

At the date of disposal, the carrying amount of the subsidiary's assets and liabilities were as follows:

	Carrying amount at the date of disposal
Non-current assets	
Property, plant and equipment	24,066
Intangible assets	1,268
Current assets	
Inventories	37,042
Trade and other receivables	170,490
Prepayments for current assets	16
Cash and cash equivalents	69
Current liabilities	
Trade and other payables	(11,468,930)
Provisions	(500,721)
Other taxes payable	(1,677,823)
Income tax payables	(210,278)
Net identifiable assets and liabilities	(13,624,801)
Gain on disposal	13,624,951

As at 30 June 2016 the Group accrued an allowance for doubtful accounts receivables of OJSC Dageenergaset in the amount of RUB 2,258,769 thousand (as at 31 December 2015: RUB 2,089,810 thousand).

From 1 July 2015 the operating activity and almost all staff of OJSC Dageenergaset were transferred to JSC Grid Company of Dagestan.

Note 6. Operating segments

The General Director of the Company has been determined as the Group Chief Operating Decision-Maker.

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

The General Director regularly evaluates and analyses the financial information of the segments reported in the statutory financial statements of respective segments.

In accordance with requirements of IFRS 8 based on the information on segments revenues and profits before income tax reported to the General Director the following reporting segments were identified:

- Transmission Segments: Dagestan Republic, North Ossetia-Alania Republic, Stavropol region, Kabardino-Balkaria and Karachaevo-Cherkessia Republics, Republic Ingushetia - the main activity of which is the provision of electricity transmission and distribution services within the Russian Federation;
- The other segment includes operations of JSC Grid Company of Dagestan (OJSC Energoservice) which didn't meet any of the quantitative thresholds for determining reportable segments for the six months ended 30 June 2015. Since 1 July 2015 JSC Grid Company of Dagestan was included in the Dagestan Republic segment.

Since 1 July 2015 the operating activity of OJSC Dageenergaset was transferred to JSC Grid Company of Dagestan. Since the second half of 2015 JSC Grid Company of Dagestan started to provide the transmission of electricity and the connection of customers to the electricity grids services. So since 1 July 2015 JSC Grid Company of Dagestan was included in the Dagestan Republic segment.

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

In the first half of 2016 other revenue and a loss before tax in the Republic Ingushetia segment included revenue from electricity sales (Note 11) and expenses on the purchased electricity and capacity for implementation (Note 12) caused by the performance of guaranteed supplier functions in the Republic Ingushetia since 1 December 2015. This activity is not primary for the Company, it is not analyzed by the General Director separately and is not allocated in a separate segment.

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue and profit before income tax, as included in the internal management reports that are reviewed by the General Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(i) Information about reportable segments

For the six months ended 30 June 2016

	Transmission Segments					Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	
Revenue:						
Revenue from external counterparties	3,756,201	1,235,063	976,310	939,642	715,356	8,324,150
Inter-segment revenue	—	280,777	—	—	—	280,777
Total segment revenue	3,756,201	1,515,840	976,310	939,642	715,356	8,604,927
Including:						
<i>Electricity transmission</i>	3,677,463	1,226,291	958,394	934,678	712,401	7,894,830
<i>Connection to the electricity network</i>	60,199	2,291	10,350	1,774	446	75,317
<i>Other revenue</i>	18,539	287,258	7,566	3,190	2,509	634,780
Finance income	40,134	—	10,269	10,160	7,841	73,411
Finance costs	(226,561)	—	(58,030)	(57,331)	(44,240)	(414,447)
Depreciation	(396,766)	(250,573)	(123,331)	(111,536)	(94,215)	(1,044,288)
(Loss)/profit before income tax	(89,485)	(2,327,832)	69,362	93,913	(16,258)	(2,444,789)

For the six months ended 30 June 2015

Transmission Segments

	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	Ingushetia	Other	Total
Revenue:								
Revenue from external counterparties	3,389,469	1,364,946	940,835	834,883	687,236	365,207	-	7,582,576
Inter-segment revenue	179	676,026	-	-	-	-	264	676,469
Total segment revenue	3,389,648	2,040,972	940,835	834,883	687,236	365,207	264	8,259,045
Including:								
Electricity transmission	3,355,514	1,757,903	935,465	831,434	684,542	364,245	-	7,929,103
Connection to the electricity network	15,395	690	419	1,555	415	339	-	18,813
Other revenue	18,739	282,379	4,951	1,894	2,279	623	264	311,129
Finance income	35,399	5,532	9,904	8,887	7,307	3,822	-	70,851
Finance costs	(152,812)	(27,486)	(42,789)	(38,121)	(31,612)	(16,146)	-	(308,966)
Depreciation	(380,372)	(246,215)	(122,163)	(101,420)	(95,676)	(42,251)	(291)	(988,388)
Loss before income tax	(177,620)	(3,250,560)	(1,055,613)	(179,971)	(16,585)	(227,663)	(4,253)	(4,912,265)

As at 30 June 2016:

	Transmission Segments						Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	Ingushetia	
Segment assets	9,243,127	9,794,072	3,302,563	3,189,901	2,162,102	1,949,622	29,641,387
<i>Including property, plant and equipment</i>	7,514,593	7,495,122	2,046,116	2,266,451	1,975,347	1,060,139	22,357,768

As at 31 December 2015:

	Transmission Segments						Total
	Stavropol region	Dagestan Republic	North Ossetia-Alania	Kabardino-Balkarian Republic	Karachayevo-Cherkessian Republic	Ingushetia	
Segment assets	9,454,308	9,303,495	3,413,744	3,107,751	2,212,765	1,726,013	29,218,076
<i>Including property, plant and equipment</i>	7,785,171	8,020,259	2,135,802	2,369,071	2,038,688	1,169,252	23,518,243

(ii) Reconciliation of reportable segment profit / (loss) before income tax

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

Reconciliation of reportable segment loss before income tax is presented below:

	For the six months ended	
	30 June 2016	30 June 2015
Total segment loss before income tax	(2,444,789)	(4,912,265)
Adjustment on property, plant and equipment	317,956	(466,898)
Adjustment for finance leasing	4,525	3,633
Bad debt allowance adjustment	68,113	394,836
Reversal of accrued revenue and expenses on disagreements	–	1,172,328
Retirement benefit obligations recognition	(10,318)	(23,377)
Reclassified expenses for the purposes of IFRS	(17,244)	(306,126)
Discounting of long-term receivables	3,660	33,933
Discounting of long-term payables	(26,942)	(23,438)
Other adjustments	(908)	(1,598)
Unallocated	(412,778)	(89,438)
Loss before income tax per consolidated interim statement of profit or loss and other comprehensive income	(2,518,725)	(3,284,614)

Note 7. Property, plant and equipment

<i>Cost</i>	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
Balance at 1 January 2015	1,424,890	8,681,551	8,574,450	6,523,022	3,020,501	28,224,414
Additions	–	10,658	3,852	447,555	93,194	555,259
Transfer	13,160	54,046	106,889	(723,998)	(549,903)	–
Disposals	–	(473)	(352)	(6,886)	(12,615)	(20,326)
Transfer to non-current assets for sale	(306)	–	–	–	–	(306)
Balance at 30 June 2015	1,437,744	8,745,782	8,684,839	6,239,693	3,650,983	28,759,041
Balance at 1 January 2016	1,891,118	9,172,293	9,301,384	4,966,754	4,095,669	29,427,218
Additions	–	–	–	462,483	31,210	493,693
Transfer	486	10,007	13,559	(598,417)	574,365	–
Disposals	–	(338)	(116)	(2,649)	(4,894)	(7,997)
Balance at 30 June 2016	1,891,604	9,181,962	9,314,827	4,828,171	4,696,350	29,912,914

	Land and buildings	Transmission networks	Equipment for electricity transformation	Construction in progress	Other	Total
Accumulated depreciation and impairment						
Balance at 1 January 2015	(389,586)	(4,268,941)	(3,014,509)	(2,124,989)	(1,495,114)	(11,293,139)
Depreciation for the period	(41,798)	(216,784)	(234,919)	—	(221,810)	(715,311)
Impairment loss	—	—	—	(56,848)	—	(56,848)
Impairment loss transfer from construction in progress	(6,543)	—	—	375,046	(368,503)	—
Disposals	—	465	260	4,460	10,005	15,190
Transfer to non-current assets for sale	58	—	—	—	—	58
Balance at 30 June 2015	(437,869)	(4,485,260)	(3,249,168)	(1,802,331)	(2,075,422)	(12,050,050)
Balance at 1 January 2016	(655,502)	(5,248,739)	(4,158,156)	(2,024,261)	(2,346,630)	(14,433,288)
Depreciation for the period	(46,791)	(199,035)	(269,958)	—	(253,734)	(769,518)
Impairment loss transfer from construction in progress	—	(1,755)	(143)	2,632	(734)	—
Disposals	—	323	92	771	4,890	6,077
Balance at 30 June 2016	(702,293)	(5,449,206)	(4,428,165)	(2,020,858)	(2,596,207)	(15,196,729)
Net book value						
at 1 January 2015	1,035,304	4,412,610	5,559,941	4,398,033	1,525,387	16,931,275
at 30 June 2015	999,875	4,260,522	5,435,671	4,437,362	1,575,561	16,708,991
at 1 January 2016	1,235,616	3,923,554	5,143,228	2,942,493	1,749,039	14,993,930
at 30 June 2016	1,189,311	3,732,756	4,886,662	2,807,313	2,100,143	14,716,185

Note 8. Equity

Share capital

	30 June 2016	31 December 2015
Number of ordinary shares authorised, issued and fully paid	154,562,277	154,562,277
Par value (in RUB)	1.0	1.0
Total share capital (in RUB)	154,562,277	154 562,277

Dividends paid and declared

The Company's statutory financial statements form the basis for the distribution of profit and other appropriations. Due to differences between statutory accounting principles and IFRS, the Company's profit in the statutory accounts can differ significantly from that reported in the consolidated financial statements prepared under IFRS.

At the annual general meeting of shareholders of PJSC IDGC of Northern Caucasus held on 20 June 2016 the decision was made not to declare dividends the year of 2015. As at 30 June 2016 dividends payable of the Group amounted to RUB 3,161 thousand (as at 31 December 2015: RUB 3,725 thousand).

At the annual general meeting of shareholders of PJSC IDGC of Northern Caucasus held on 11 June 2015 the decision was made not to declare dividends the year of 2014. As at 30 June 2015 dividends payable of the Group amounted to RUB 3,776 thousand (as at 31 December 2014: RUB 3,790 thousand).

Loss per share

The calculation of loss per share is based upon the loss for the year and the weighted average number of ordinary shares outstanding during the reporting period. The Company has no dilutive potential ordinary shares.

<i>In shares</i>	2016	2015
Issued shares at 1 January	154,562,277	154,562,277
Weighted average number of shares for the six months ended 30 June	154,562,277	154,562,277

	For the six months ended	
	30 June 2016	30 June 2015
Weighted average number of ordinary shares issued	154,562,277	154,562,277
Loss attributable to the shareholders	(2,743,455)	(2,947,456)
Weighted average loss per ordinary share – basic and diluted (in RUB)	(17.75)	(19.07)

Note 9. Loans and borrowings

Non-current loans and borrowings

	Effective interest rate,%	Currency	Year of maturity	30 June 2016	31 December 2015
Loans					
PJSC Sberbank*	7.90 – 12.50	RUB	2017-2019	5,150,000	4,852,109
Gazprombank (Joint-stock Company)*	13.00 – 15.00	RUB	2018-2019	1,288,197	2,499,694
Bonds	13.00	RUB	2021	1,350,000	–
Finance lease liability				4,212	7,910
Total non-current debt				7,792,409	7,359,713
<i>Less current portion of long-term debt and finance lease liability</i>				(4,212)	(3,232,955)
Total				7,788,197	4,126,758

Current borrowings

	Effective interest rate, %	Currency	30 June 2016	31 December 2015
Borrowings				
PJSC ROSSETI**	–	RUB	30,000	30,000
Other			–	2,000
Total borrowings			30,000	32,000
Promissory notes				
PJSC ROSSETI**	–	RUB	1,541,035	1,541,035
PJSC FGC UES**	–	RUB	423,041	423,041
Total promissory notes			1,964,076	1,964,076
<i>Payables on interest on loans and bonds</i>			41,661	31,846
<i>Current portion of long-term debt</i>			–	3,225,045
<i>Current portion of finance lease liability</i>			4,212	7,910
Total			2,039,949	5,260,877

* Loans from government-related entities.

** Borrowings and promissory notes from the parent company and its subsidiary.

For the year ended 30 June 2016 the Company raised RUB 3,661,439 thousand including bonds in the amount of RUB 1,350,000 thousand and repaid loans in the amount of RUB 3,227,045 thousand.

For the year ended 30 June 2015 there were no any repayment of loans and principal borrowings. The Company raised RUB 1,062,211 thousand using previously open credit line.

All loans and borrowings listed above are bank borrowings with fixed interest rate.

The Group has not entered into any hedging arrangements in respect of its interest rate exposure.

As at 30 June 2016 and 31 December 2015 all loans and borrowings were unsecured.

Issuance of additional shares

On 27 July 2015 exchange-traded bond program and listing prospectus were approved by Board of Directors, according to which was made a decision to issue of non-convertible interest-bearing documentary exchange-traded bearer bonds, which placed through public subscription within the framework of the exchange of bonds, no more than RUB 6 billion, inclusive, and with a maturity of no more than 3,640 days from the date of commencement of exchange bonds placement as a separate issue, placed within the exchange-traded bond program. In the first half of 2016 placed bonds in the amount of RUB 1,350,000 thousand.

Note 10. Other provisions

	2016	2015
Balance as at 1 January	113,063	2,031,806
Provisions raised during the period	44,374	592,057
Provisions used during the period	(48,500)	(1,535,138)
Provisions decrease due to changes in accounting approaches	(50,565)	(124,231)
Balance as at 30 June	58,372	964,494

Provisions relate to legal proceedings and unsettled legal claims against the Group.

The amount of provisions as at 1 January 2015 was related to the recognition of provisions which were accrued due to decisions issued by tax authorities upon the results of field tax audit and the results of VAT declarations desk tax audit in 2014 against OJSC Dagenergoset for the taxes unpaid. For the year 2015 the main part of provisions accrued as at 31 December 2014 were used by OJSC Dagenergoset (in the first half of 2015 in the amount of RUB 1,484,430 thousand), other provisions disposed due to the deconsolidation of OJSC Dagenergoset (Note 5). As at 30 June 2015 the amount of RUB 814,321 thousand was due to OJSC Dagenergoset.

Note 11. Revenue

	For the six months ended	
	30 June 2016	30 June 2015
Electricity transmission	7,894,829	7,531,857
Connection services	75,318	18,813
Electricity sales	315,029	-
Rental income	9,241	8,583
Other revenue	48,973	60,747
Total	8,343,390	7,620,000

Other revenue is comprised of installation, repair and maintenance services, transportation services and other sales.

From 1 December 2015, pursuant to order of the Russian Ministry of Energy no. 888 of 25 November 2015 PJSC IDGC of Northern Caucasus undertook the function of guaranteeing electricity supplier in Ingushetia Republic (for the period till the winner will be determined but no more than for 12 months). Hence, the Company involved in a new type of activity - purchasing electricity on the wholesale market and selling it on the retail market.

Note 12. Operating expenses

	For the six months ended	
	30 June 2016	30 June 2015
Personnel costs	3,299,248	2,990,164
Purchased electricity for compensation of technological losses	2,854,620	2,403,417
Electricity transmission	830,296	602,814
Depreciation and amortization	790,608	734,930
Allowance for impairment of trade and other receivables	638,308	1,843,095
Raw materials and supplies	374,015	286,238
VAT non-recoverable	367,081	-
Rent	322,214	294,591
Purchased electricity and power for sale	321,146	-
Taxes other than income tax	151,393	118,340
Gains/losses of previous years	149,580	425,232
Electricity and heat power for own needs	126,502	66,520
Security services	54,305	50,714
Management services	40,800	39,778
Repairs, maintenance and installation services	34,947	23,011
Business trip expenses	32,440	24,012
Maintenance of assets	31,086	32,772
Telecommunication and information services	19,555	16,870
Consulting, legal and audit services	14,365	7,959
Social expenditures and charity expenses	5,544	2,469
Provisions	-	467,826
Impairment loss on property, plant and equipment	-	56,848
Other works and production services	-	54,603
Other expenses	96,281	320,649
Total	10,554,334	10,862,852

Note 13. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2015.

As at 30 June 2016 the Group holds investments in equity shares of RUB 118 thousand classified as available for sale measured at fair value and belong to Level 1 in the fair value hierarchy (as at 31 December 2015: RUB 132 thousand). Valuation of available-for sale investments is made on a recurring basis using quoted market prices.

Note 14. Commitments

As at 30 June 2016 the Group has outstanding commitments under the contracts for the purchase and construction of property, plant and equipment for RUB 1,182,330 thousand (as at 31 December 2015: RUB 1,109,538 thousand).

Note 15. Contingencies

(a) Insurance

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

(b) Taxation contingencies

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

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

(c) Legal proceedings

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

(d) Environmental matters

The Group and its predecessors have operated in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. The Group's management periodically evaluates its obligations under environmental regulations.

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

Note 16. Related parties

(a) Control relationships

As at 30 June 2016 and 31 December 2015 PJSC ROSSETI was the Parent company of the Company. The party with ultimate control over the Company is the Russian Government, which holds the majority of the voting rights in PJSC ROSSETI.

The majority of the Group's related party transactions are with the subsidiaries of PJSC ROSSETI and other state controlled entities.

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

Transactions with the Parent's subsidiaries were as follows:

	For the six months ended	
	30 June 2016	30 June 2015
Revenue:		
Electricity transmission	3,072,594	3,428,246
Rental income	3,167	4,509
Other revenue	28,779	41,673
Other income, net	25,420	-
Interest income on loans issued	12,878	12,399
Expenses:		
Transactions with the Parent		
Management services	38,262	38,262
Services for technical supervision	8,864	8,864
Transactions with the entities under common control of the Parent		
Electricity transmission	786,905	589,391
Purchased electricity for compensation of technological losses	1,733,941	1,443,655
Electricity and heat power for own needs	54,068	34,822
Purchased electricity for sale	430	-
Other expenses	132,630	48,506
Interest expenses	30,294	-

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

(c) Transactions with other state controlled entities

In the normal course of business the Group enters into transactions with other entities under Government control. Prices for electricity and heat are based on tariffs set by the Federal Antimonopoly Service and by the Executive Bodies of subjects of the Russian Federation in the field of state regulation of tariffs.

Revenues from state-controlled entities for the six months ended 30 June 2016 constitute 7% (the six months ended 30 June 2015: 7%), including 7% (the six months ended 30 June 2015: 7%) of electricity transmission revenues.

Electricity transmission costs for state-controlled entities for the six months ended 30 June 2016 constitute 1% (the six months ended 30 June 2015: 1%) of total transmission costs.

(d) Transactions with management and close family members

The Group determines the members of the Board of Directors, the Management Board and senior managers of the Company as key management personnel.

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

The following remuneration allocated to the key management during the reporting period, which is included in personnel costs:

	For the six month ended	
	30 June 2016	30 June 2015
Salaries and bonuses	22,349	26,019

Note 17. Events after the reporting period

Issue of securities

At the meeting of the Board of directors of the PJSC IDGC of Northern Caucasus held on 18 July 2016 was made a decision to convene an extraordinary general meeting of shareholders of PJSC IDGC of Northern Caucasus on the capital increase by issuing of additional shares on 23 August 2016.

Management believes there are no other facts of economic activities which have or may have an impact on the financial condition, cash flows or results of operations of the Group and that took place in the period between the reporting date and the date of signing the consolidated interim condensed financial statements for the period ended 30 June 2016.