

IDGC of Centre, JSC

Explanatory Note for Financial Statements for 2011

(data is expressed in thousand rubles)

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1. Information on the Company

1.1.	Full name	Interregional Distribution Grid Company of Centre, Joint-Stock Company; TIN/CRR 6901067107/997450001
1.2.	Short name	IDGC of Centre, JSC
1.3.	State registration (PSRN, date)	1046900099498 dated from 17.12.2004
1.4.	Principal place of business (legal address)	4/2, Glukharev Lane, Moscow, 129090
1.5.	Postal address:	2nd Yamskaya, 4, Moscow, 127018
1.6.	Information on the authorised capital	The authorised capital of the Company equals to 4 221 794 thousand rubles
1.7.	Information on the participants	Total number of persons, recorded in the register of issuer's shareholders as of expiration date of the last accounting quarter: 14 413 Total number of nominees: 18
1.8.	The Company's auditor	Limited Liability Company «RSM Top-Audit»

1.9. The main business activities of IDGC of Centre, JSC are:

- Electric power transmission and distribution in 0,4-110kV power lines.
- Technological connection to 0,4-110kV power grids services.

1.10. The main sales markets of services provided by IDGC of Centre, JSC and by the Company's divisions are:

IDGC of Centre, JSC performs its activity in 11 constituent entities of the Russian Federation, located in Central Federal District of the Russian Federation. These constituent entities include the following regions: Belgorod, Bryansk, Voronezh, Kostroma, Kursk, Lipetsk, Orel, Smolensk, Tambov, Tver and Yaroslavl.

IDGC of Centre, JSC renders technological connection services to the following final applicants: individuals (private sector), legal entities (small, medium-sized, large business), territorial co-operating grid companies, budget companies.

1.11. Divisions and representative offices of the Company

Item #	Division name	Division location
1.	Division of IDGC of Centre, JSC – “Belgorodenergo”	42 Preobrazhenskaya St., Belgorod, 308000, the Russian Federation
2.	Division of IDGC of Centre, JSC – “Bryanskenergo”	35 Sovetskaya St., Bryansk, 241000, the Russian Federation
3.	Division of IDGC of Centre, JSC – “Voronezhenergo”	2 Arzamasskaya St., Voronezh, 394033, the Russian Federation
4.	Division of IDGC of Centre, JSC – “Kostromaenergo”	53 Mir Avenue, Kostroma, 156961, the Russian Federation
5.	Division of IDGC of Centre, JSC – “Kurskenergo”	27 K. Marx St., Kursk, 305029, the Russian Federation
6.	Division of IDGC of Centre, JSC – “Lipetskenergo”	33 50 let NLMK St., Lipetsk, 398001, the Russian Federation
7.	Division of IDGC of Centre, JSC – “Orelenergo”	2 Mir Square, Orel, 302030, the Russian Federation
8.	Division of IDGC of Centre, JSC – “Tambovenergo”	23 Morshanskoe shosse, Tambov, 392680, the Russian Federation
9.	Division of IDGC of Centre, JSC – “Smolenskenergo”	33 Tenisheva St., Smolensk, 214019, the Russian Federation
10.	Division of IDGC of Centre, JSC – “Tverenergo”	1 Bebel St., Tver, 170006, the Russian Federation
11.	Division of IDGC of Centre, JSC – “Yarenergo”	12 Voinov St., Yaroslavl, 150003, the Russian Federation

1.12. Average number of IDGC of Centre, JSC as of 2011 was **30 586** people.

The average staffing number of IDGC of Centre, JSC as of December 31, 2011 was **30 338** people.

1.13. Management bodies of the Company:

- General Meeting of Shareholders;
- Board of Directors;
- General Director.

The Company's Board of Directors performs general management of the Company's activity, except for solution of issues referred to the competence of the General Meeting of Shareholders by the Federal Law "On Joint-Stock Companies" and the Company's articles of association.

1.14. Data on the members of the management and control bodies of IDGC of Centre

#	Full name	Title
1	2	3
Board of Directors		
1	Perepelkin Alexey Yuryevich	Member of the Management Board, Deputy General Director for Corporate Governance and Property of IDGC Holding
2	Kurbatov Mikhail Yuryevich	Member of the Management Board, Deputy General Director of IDGC Holding
3	Branis Alexander Markovich	Director of Representative office "Prosperity Capital Management (Russian Federation) Ltd."
4	Gudzhoyan Dmitry Olegovich	General Director of IDGC of Centre, Member of the Coordinating Council on Youth in the scientific and educational matters at the Council of the Russian Federation President on Science, Technology and Education.
5	Kaloyeva Madina Valeryevna	Deputy Director of Department of economic regulation and property relations in fuel-and-power sector of Ministry of Energy of Russia
6	Popov Alexander Albertovich	Deputy General Director - Chief of Staff of IDGC Holding
7	Sergutin Alexey Vladimirovich	Director for Economics of IDGC Holding
8	Balaeva Svetlana Alexandrovna	Head of Investment Department of IDGC Holding
9	Starchenko Alexander Grigoryevich	Director for Power Engineering of NLMK
10	Shevchuk Alexander Viktorovich	Deputy Executive director of Association for Protection of rights of investors
11	Filkin Roman Alexeyevich	Representative Office of Prosperity Capital Management (Russian Federation) Ltd., Co-Director», electric power industry, mechanical engineering
Collegial executive body – the Management Board		
1	Gudzhoyan Dmitry Olegovich	Chairman of the Management Board, General Director of IDGC of Centre
2	Tkacheva Olga Vladimirovna	Member of the Management Board, Deputy General Director for Corporate Governance of IDGC of Centre

#	Full name	Title
3	Orlov Konstantin Nikolayevich	Member of the Management Board, Deputy General Director for Economy and Finance of IDGC of Centre
4	Kleymenov Ivan Petrovich	Member of the Management Board, Deputy General Director - Director of the branch of IDGC of Centre, JSC - "Voronezhenergo"
5	Nabiullin Rustem Leronovich	Member of the Management Board, Deputy General Director for Capital Construction of IDGC of Centre
6	Shumakher Sergey Anatolyevich	Deputy Chairman of the Management Board, Deputy General Director for Technical Issues – Chief Engineer of IDGC of Centre
7	Gotlib Dmitry Igorevich	Member of the Management Board, Deputy General Director for Services Development and Sale of IDGC of Centre
The sole executive body – General Director		
1	Gudzhoyan Dmitry Olegovich	Chairman of the Management Board, General Director of IDGC of Centre
Internal Audit Commission		
1	Izumrud Aligadzhievna Alimuradova	Chairperson of the Internal Audit Commission, Director for Internal Audit and Risk Management (Head of Department) of IDGC Holding
2	Vladimir Nikolaevich Arkhipov	Head of Security Department of IDGC Holding
3	Olga Sergeevna Sinitsina	Principal Expert of Internal Audit and Expertise Section of Internal Audit and Risk Management Department of IDGC Holding
4	Galina Ivanovna Meshalova	Principal Expert of Internal Audit and Expertise Section of Internal Audit and Risk Management Department of IDGC Holding
5	Igor Yuryevich Bogachev	Leading Expert of Internal Audit and Expertise Section of Internal Audit and Risk Management Department of IDGC Holding

2. General rules of the accounting reporting

2.1. The annual accounting statements of the Company are prepared according to requirements of the legislation of the Russian Federation.

2.2. The business accounting of property, obligations and economic transactions is done on the basis of natural measuring instruments in money terms by the overall, continuous, documentary and interconnected recognition. Indicators of annual accounting statements are resulted proceeding from a principle of importance for a financial standing estimation by all interested users.

2.3. The accounting statements data is presented in thousand rubles.

3. Accounting policy

3.1. The present accounting report of the Company is prepared on the basis of the accounting policy confirmed by order from 12.04.2011 # 98-TSA «About accounting policy of IDGC of Centre for 2011». The accounting policy is generated according to the requirements of:

- The civil code of the Russian Federation;
- 129-FZ «About the business accounting" from 21.11.96:
- Provisions on conducting the business accounting and accounting reporting in the Russian Federation (order of MF of the Russian Federation from 29.07.1998 # 34-n).
- RAS 1/2008 «Company accounting policy», RAS 3/2006 «Accounting of assets and the obligations, which cost is expressed in foreign exchange», RAS 4/99 «Company accounting statements», RAS 5/01 «Accounting of inventories», RAS 6/01 «Accounting of fixed assets», RAS 7/98 «Events after the reporting date», RAS 8/01 «Conditional facts of economic activities», RAS 9/99 «Company Income», RAS 10/99 «Company expenses», RAS 11/2008 «Information on affiliated parties", RAS 12/2000 «Information on segments», RAS 13/2000 «Accounting of the state support», RAS 14/2007 «Accounting of intangible assets», RAS 15/2008 «Accounting of expenses under loans and credits» RAS 16/02 «Information on ceased activity», RAS 17/02 «Accounting of expenses on R&D», RAS 18/02 «Accounting of accounts on the profit tax of the company», RAS 19/02 «Accounting of financial investments», RAS 20/03 «Information on participation in joint activity», RAS 21/2008 «Change of estimate values», RAS 22/2010 «Correction of mistakes in the business accounting and reporting», RAS 23/2011 «Cash flow report».
- Federal Law # 261 of 23.11.2009 «On energy saving and energy efficiency increase and amendments to separate legislative acts of the Russian Federation»;
- Order of the Ministry of Finance of Russia # 10n, FCSM of Russia # 03-6/pz of 29.01.2003 «On approval of the estimation procedure of net assets of joint stock companies»;
- Order of the Ministry of Finance of Russia # 29n of 21.03.2000 «On approval of the Methodic recommendations on disclosure of information about the profit per share»;

3.2. The Company's accounting policy is generated proceeding from assumptions that:

- assets and obligations of Company exist separately from assets and obligations of proprietors and assets and obligations of other companies (assumption of property isolation);
- Company will continue the activity in the foreseeable future and it does not have intentions and necessity of liquidation or essential reducing of activity and, hence, the obligation will be repaid when due hereunder (assumption of continuity);
- the accounting policy adopted by the Company is applied in succession from one accounting year to another (assumption of sequence of application of accounting policy);
- the facts of economic activities of the Company concern that accounting period in which they took place, irrespective of actual time of receipt or payment of the money funds connected with these facts (assumption of time definiteness of the facts of economic activities).

The accounting policy of the Company was formed, taking into account changes in the regulatory and legal acts on accounting, in particular, Order of the Ministry of

Finance of Russia # 186n of 24.12.2010. Changes aimed at clarifying the existing procedure of accounting of individual accounting items: fixed assets, expenses and deferred income, reserves for future expenses.

Effects of changes in the legislation and accounting policy of the Company's annual statements are included retrospectively. The adjustments related to changes in the accounting policy are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 3.2 and in Form 1 «Balance sheet» in the following lines:

Line Name of Form 1	Line of Form 1 before adjustment	Line of Form 1 after adjustment	Revised amount 2010	Revised amount 2009
Advances issued for capital construction and acquisition of fixed assets (without VAT)	1230	1135	39458	54900
Advances issued for capital construction and acquisition of fixed assets (with VAT)	1230	1260	7103	9882
Deferred expenses	1216	1260	4074	49557
Deferred expenses	1216	1230	37622	66478
Deferred expenses	1216	1370	-11576	-20833
Deferred expenses	1370	1170	66831	79210
Deferred expenses	1170	1230	11	4040
VAT from advance payments received	1230	1260	365283	262231
Estimated liabilities	1430	1540	222929	188259
Deferred income	1530	1370	48241	49484
Estimated liabilities	1370	1540	0	646786
Deferred tax assets	1160	1370	7055	139337
Borrowed funds	1410	1510	1166003	3920373

3.3. Methods of estimation of inventories:

Inventories are estimated in the sum of an actual cost on acquisition. Write-off of inventories in production was performed under the average cost value.

3.4. Methods of charge of depreciation charges on separate groups of items of fixed assets:

Depreciation of fixed assets is added by linear method within rates of the Russian Federations established by Resolution of the Government #1 from 01.01.2002 «About classification of the fixed assets included in amortisation groups».

Methods of estimation of items of the fixed assets received under contracts, providing execution of obligations (payment) by non monetary funds:

The items of fixed assets received by the Company under contracts, providing execution of obligations (payment) not by money funds (in particular under exchange contracts), are estimated at cost of the values which are transferred or subject to transfer by the Company. Cost of the values, which are transferred or subject to transfer by the Company, is established from the price on which in comparable circumstances the Company usually determines cost of similar values.

The terms of useful use of items of fixed assets recognized by the company (by primary groups) are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.3.2.

3.5. The terms of useful use of intangible assets recognized by the company:

Intangible Assets Group	Term of useful use (number of years) of items, which transfer of ownership was accepted
Exclusive rights on a trade mark	9 - 10 years
Exclusive rights on computer programs, DB	3 - 10 years
Exclusive rights on an invention, industrial pattern, useful model	10 years

Methods of estimation of the intangible assets acquired not for money funds:

The intangible assets received by the Company under contracts, providing execution of obligations (payment) not by money funds (in particular under exchange contracts), are estimated at cost of the values which are transferred or subject to transfer by the Company. Cost of the values, which are transferred or subject to transfer by the Company, is established from the price on which in comparable circumstances the Company usually determines cost of similar values.

Methods of determination of depreciation of intangible assets:

The sum of depreciation charges on intangible assets is determined on the rates calculated proceeding from their original cost and term of useful use (linear method).

Changes of terms of useful use of intangible assets:

Term of useful use of an intangible asset is annually checked by the Company on necessity of its specification. In case of essential change of duration of the period during which the Company assumes to use the assets, term of its useful use is specified. Arisen in this connection adjustments are recognized in the business accounting and the accounting statements at the beginning of an accounting year as changes in estimate values.

Changes of methods of determination of intangible assets depreciation:

The method of determination of depreciation of an intangible asset is annually checked by the Company on necessity of its specification. If calculation of expected receipt of the future economic gains from an intangible asset use has essentially changed, the method of determination of depreciation of such assets changes accordingly. Arisen in this connection adjustments are recognized in the business accounting and the accounting statements at the beginning of an accounting year as changes in estimate values.

3.6. Order of recognition of revenue of the company:

The company subdivides income into income of usual types of activity and other income.

Income of usual types of activity are the receipts connected with rendering of services, accomplishment of works, from sale of goods and products to third party companies.

All income, which is not connected with realisation of works and services in usual types of activity, is recognized as *other income*. The revenue is recognized for the business accounting in the sum estimated in money terms, equal size of receipt of money funds and other property and (or) debt receivable size.

3.7. Order of recognition of commercial and administrative expenses:

General economic expenses are recognized in full amount as administrative expenses and recognized in the cost value of the rendered services, the executed works completely in the reporting year of their recognition as expenses on usual types of activity.

4. The information on transactions in foreign currency

In the accounting period transactions in foreign currency were not performed.

5. The information on inventories

The information on inventories is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.5.1.

In 2011 inventories as a deposit were not transferred (table 5.5.2), the reserve under decrease in value of tangible assets was not created.

6. The information on fixed assets

Availability and flow of fixed assets for 2010-2011 are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.3.1.

Changes of the value of fixed assets resulting from completion, retrofit, renovation and partial liquidation are included in table 5.3.3 for 2010-2011.

On the off-balance account of the Company as of 31.12.2011 the leased fixed assets are registered, which are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.3.4 and 5.12.

7. Events after the reporting date

Dividends.

The size of the annual dividends per one share, will be confirmed in 2012 by general meeting of shareholders of the Company following the results of work for 2011.

Legal proceedings.

Decisions on litigation, which entered into force prior to signing the financial statements of the Company in the amount of 13,189 rubles in the annual statements, are recognized as accounts payable, with their allocation to other costs in 2011.

8. The information on the contingencies of economic activities

8.1. In 2011, the accrual of estimated liabilities for the unfinished trials is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.7.1.

The abortive trials as of 31.12.2011, in which IDGC of Centre participates as a defendant, are specified in Appendix # 1.

8.2. The sum of cumulative obligations of IDGC of Centre from the provision given to the third parties, at the end date of 2009-2011 is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.8.

As of 31.12.2011 the Company issued guarantees to third parties totaling 755,334 thousand rubles (seven hundred fifty-five million three hundred and thirty-four thousand rubles):

Breakdown of provisions and obligations, which have been given out to IDGC of Centre as of 31.12.2011:

Item #	The Division name	Type of obligation	The beneficiary	The sum, thousand rbl.	Issue date	Issue term	Risk of execution of obligation	The principal
1	2	3	4	5	6	7	8	9
1	Belgorodenergo	The guarantee	Belgorod Sberbank branch 8592	18 591	15.02.2008	18.02.2013	Low	"Energy Leasing" CJSC
		The guarantee	Belgorod Sberbank branch 8592	7 485	22.02.2008	20.02.2013	Low	"Energy Leasing" CJSC
		The guarantee	Belgorod Sberbank branch 8592	12 994	11.03.2008	06.03.2013	Low	"Energy Leasing" CJSC
		The guarantee	Belgorod Sberbank branch 8592	34 363	13.03.2008	08.03.2013	Low	"Energy Leasing" CJSC
total				73 433	x	x	x	
1	Executive Office of IDGC	The guarantee	JSCB "ROSBANK" (JSC)	681 901	28.10.2008	31.01.2014	Low	"Energy Leasing" CJSC
total				755 334	x	x	x	

The guarantee agreement # PR/348/08 from October 28, 2008 is concluded between IDGC of Centre ("Guarantor") and JSCB "ROSBANK" (JSC) ("Creditor") in provision of appropriate execution of obligations of Closed Joint-Stock Company "Energy Leasing" ("Borrower") to the Creditor under Credit agreement # RK/170/08 from October 28, 2008. The indebtedness of the Borrower before the Creditor under the above-named credit agreement as of December 31, 2011 was 681 901 thousand rubles.

8.3. The information on contingent assets

Abortive trials as of 31.12.2011, in which IDGC of Centre participates as a claimant, are specified in Appendix #1.

9. The information on income

Income for the accounting year is included in the profit and loss statement separately on usual types of activity and under other income with breakdown by kinds and values.

The Company's revenue is made up by sale of the following services:

(thousand rbl.)

#	Type of revenue	2011	2010
1.	Revenue from electric power delivery	65 670 567	57 563 151
2.	Revenue from technological connections	1 676 637	2 185 538
3.	Sales proceeds from other works, services of industrial character	780 118	656 200
	<i>Total in revenue</i>	68 127 322	60 404 889

Other income is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.11.

10. The information on expenses

Expenses for the accounting year are included in the profit and loss statement separately on usual types of activity and on miscellaneous costs with breakdown by kinds and values.

The Company's self-cost value on types of activity:

(thousand rbl.)

#	Self-cost value on types of activity	2011	2010
1.	Self-cost value of delivery of electric power	(54 912 407)	(50 473 440)
2.	Self-cost value of technological connection	(232 020)	(221 239)
3.	Self-cost value of sale of other works, services of industrial character	(338 389)	(186 538)
	<i>Total in self-cost value</i>	(55 482 816)	(50 881 217)

Expenses on usual types of activity broken down to elements of costs are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 2.1

Other costs are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.11.

The data on payment of remuneration is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.7.1.

As of 31.12.2011 the Company created estimated liabilities for not used holidays and payment of annual bonus following the results of work for 2011. The data is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.7.1.

The amount of the estimated liability taking into account the unused balance of the annual remuneration = 291 266 thousand rubles including:

- remuneration for the reporting period = 227 378 thousand rubles.
- taxes and other obligatory payments to the budget and extrabudgetary funds accrued = 63 888 thousand rubles.

11. The information on the affiliated parties

11.1. The information on transactions with the affiliated parties

The list of the affiliated parties is specified in Appendix # 2.

From 01.01.2011 to 31.12.2011 inclusive the following agreement obligations existed between IDGC of Centre and JSC «Yargorelectroset»:

- IDGC of Centre renders JSC «Yargorelectroset» service of technological connection;
- IDGC of Centre renders JSC «Yargorelectroset» treasury services;
- IDGC of Centre provides JSC «Yargorelectroset» with borrowed funds;
- JSC «Yargorelectroset» renders IDGC of Centre services in electric power delivery.

The terms and conditions of settlement for transactions comply with agreement obligations.

The total sum of the performed transactions for the specified period is:

- on rendering services in technological connection in the amount of 182 714 thousand rubles, including VAT 27 871,6 thousand rubles;
- on rendering treasury services in the amount of 500 thousand rubles, including VAT 76,3 thousand rubles;
- on the borrowed funds provision in the amount of 63 397 thousand rubles;
- on interest accrual in the amount of 263 thousand rubles;
- on rendering services in delivery of electric energy in the amount of 779 861 thousand rubles, including VAT 118 961,8 thousand rubles;

Contracts on technological connection of power receiving installations of consumers to electrical networks have tripartite character, according to the conditions of contracts, money funds from the applicant come to a settlement account of JSC «Yargorelectroset». No later than 5 working days from the moment of receipt from the applicant of money funds JSC «Yargorelectroset» transfers the payment provided by the agreement to IDGC of Centre.

Debt receivable write-off for the under control counterpart was not made, debts on which term of limitation of actions has expired, debts unreal to collect as of 31.12.2011 are not present.

As of 31.12.2011 the accounts receivable of JSC «Yargorelectroset» from IDGC of Centre are 17 880 thousand rubles.

Under those contracts on which the indebtedness is not performed in terms established by the agreement and is not provided by corresponding guarantees, in December 2011 the reserve on doubtful debts in the sum of 11 635 thousand rubles on accounts for the rendered services in technological connection was added.

As of 31.12.2011 the debt of JSC «Yargorelectroset» to IDGC of Centre for a loan is 63 397 thousand rubles, for interests accrued is 263 thousand rubles.

As of 31.12.2011 the accounts payable of IDGC of Centre in favour of JSC «Yargorelectroset» are 89 240 thousand rubles.

From 01.01.2011 to 31.12.2011 inclusive the following agreement obligations existed between IDGC of Centre and JSC «Yargorelectroset»:

- IDGC of Centre renders JSC «Yargorelectroset» services to provide property for lease and maintenance services;
- JSC «Yargorelectroset» renders IDGC of Centre services in electric power delivery.

The sum of the performed transactions between IDGC of Centre and JSC «Yargorelectroset» in 2011 is:

- provision of the property for lease in the amount of 42 thousand rubles, including VAT in the amount of 6,4 thousand rubles;
- maintenance services provision in the amount of 50 thousand rubles, including VAT in the amount of 7,6 thousand rubles;
- on rendering services in delivery of electric energy in the amount of 170 086 thousand rubles, including VAT in the amount of 25 945,3 thousand rubles;

As of 31.12.2011 there are no debts on which the term of limitation of actions has expired, debts unreal to collect for this counterpart.

As of 31.12.2011 the accounts receivable of JSC «Yargorelectroset» from IDGC of Centre are 48 thousand rubles.

As of 31.12.2011 the accounts payable of IDGC of Centre in favour of JSC «Yargorelectroset» are 7 577 thousand rubles.

From 01.01.2011 to 31.12.2011 inclusive the following agreement obligations existed between IDGC of Centre and JSC «Energy Service Company»:

- IDGC of Centre renders JSC «Energy Service Company» services to provide property for lease in 2011;
- IDGC of Centre provides JSC «Energy Service Company» with borrowed funds in 2011;
- JSC «Energy Service Company» performs construction and installation work for IDGC of Centre.

The terms and conditions of settlement for transactions comply with agreement obligations.

The total sum of the performed transactions for the specified period is:

- on provision of the property for lease in the amount of 108 thousand rubles, including VAT in the amount of 16 thousand rubles;
- on the borrowed funds provision in the amount of 145 600 thousand rubles;
- on interest accrual in the amount of 1 631,8 thousand rubles;
- on construction and installation work in the amount of 29 340 thousand rubles, including VAT in the amount of 4 475,6 thousand rubles;
- on interests payment in the amount of 803,5 thousand rubles.

Debt receivable write-off for this counterpart was not made, debts on which term of limitation of actions has expired, debts unreal to collect as of 31.12.2011 are not present.

As of 31.12.2011 the accounts receivable of JSC «Energy Service Company» from IDGC of Centre are 108 thousand rubles.

As of 31.12.2011 the debt of JSC «Energy Service Company» to IDGC of Centre for a loan is 145 600 thousand rubles, for interests accrued is 828,3 thousand rubles.

As of 31.12.2011 the accounts payable of IDGC of Centre in favour of JSC «Energy Service Company» are in the amount of 29 340 thousand rubles.

From 01.01.2011 to 31.12.2011 inclusive the following agreement obligations existed between IDGC of Centre and its affiliated company JSC "Sanatorium-dispensary "Energetik":

- IDGC of Centre renders JSC "Sanatorium-dispensary "Energetik" services in transfer of vehicles for rent;
- JSC "Sanatorium-dispensary "Energetik" renders IDGC of Centre services to provide sanatorium-resort vouchers;
- JSC "Sanatorium-dispensary "Energetik" renders IDGC of Centre services in lodging and board.

The terms and conditions of settlement for transactions comply with agreement obligations.

The total sum of the performed transactions for the specified period is:

- on transfer of vehicles for rent in the amount of 70 thousand rubles, including VAT in the amount of 10,7 thousand rubles;
- on provision of sanatorium-resort vouchers in the amount of 75 thousand rubles, without VAT;
- on lodging and board in the amount of 607 thousand rubles, including VAT in the amount of 92,6 thousand rubles.

Debt receivable write-off for this counterpart was not made, debts on which term of limitation of actions has expired, debts unreal to collect as of 31.12.2011 are not present.

As of 31.12.2011 the obligations between IDGC of Centre and JSC "Sanatorium-dispensary "Energetik" were performed in full.

From 01.01.2011 to 31.12.2011 inclusive IDGC of Centre performs MOESK emergency repair and maintenance work to eliminate the consequences of failures at power facilities in the amount of 73 512,7 thousand rubles, including VAT in the amount of 11 213,8 thousand rubles.

As of 31.12.2011 the obligations between IDGC of Centre and MOESK were performed in full, there is no debt of MOESK to IDGC of Centre.

From 01.01.2011 to 31.12.2011 inclusive the following agreement obligations existed between IDGC of Centre and IDGC of North-West:

- IDGC of North-West renders IDGC of Centre services on arranging and holding the Event among the teams of operational and maintenance personnel in accordance with the agreement to provide services for the "All-Russian competition in professional skills of operational and maintenance personnel of distribution networks of IDGC Holding" #268/11/7700/00062/11 of 22.04.2011;
- IDGC of North-West renders IDGC of Centre services to provide electric grid facilities for lease.

The terms and conditions of settlement for transactions comply with agreement obligations.

The sum of the performed transactions between IDGC of Centre and IDGC of North-West for the specified period is:

- on provision of services on holding the "All-Russian competition in professional skills of operational and maintenance personnel" in the amount of 937,9 thousand rubles, including VAT in the amount of 143,1 thousand rubles.

- on provision of electric grid facilities for lease in the amount of 25,0 thousand rubles, including VAT in the amount of 3,8 thousand rubles.

Debt receivable write-off for this counterpart was not made, debts on which term of limitation of actions has expired, debts unreal to collect as of 31.12.2011 are not present.

As of 31.12.2011 the accounts payable of IDGC of Centre in favour of IDGC of North-West are 2,0 thousand rubles.

From 01.01.2011 to 31.12.2011 inclusive NIC EES renders IDGC of Centre motor transport services.

The value of the services was 52 320,3 thousand rubles, including VAT in the amount of 7 981,1 thousand rubles.

The terms and conditions of settlement for transactions comply with agreement obligations.

Debt receivable write-off for this counterpart was not made, debts on which term of limitation of actions has expired, debts unreal to collect as of 31.12.2011 are not present.

As of 31.12.2011 the accounts payable of IDGC of Centre in favour of NIC EES are 4 360 thousand rubles.

12. The information on segments

The information on segments is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.13.

13. The information on intangible assets

Availability and flow of intangible assets for 2010-2011 are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.1.1.

14. The information on credits and loans

14.1. The information on credits and loans is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.6.7

14.2. Indebtedness of IDGC of Centre under credits and loans as of 31.12.2011 will be paid back within the following terms:

- in III quarter 2012 – 250 000,00 thousand rubles;
- in IV quarter 2012 – 870 000,00 thousand rubles.

In total in 2012 credits and loans in the amount of 1 120 000,00 thousand rubles will be paid back, the sum of the accrued percent to payment - 46 112,75 thousand rubles.

From 2013 to 2025 the following credits will be paid back - 20 070 000,00 thousand rubles, including:

- in 2013 – 0,00 thousand rubles,
- in 2014 – 4 250 000,00 thousand rubles,
- in 2015 – 5 400 000,00 thousand rubles,

- in 2016 – 1 500 000,00 thousand rubles,
- in 2017 – 2 000 000,00 thousand rubles,
- in 2018 – 3 920 000,00 thousand rubles,
- in 2025 – 3 000 000,00 thousand rubles.

The sum of free limits under acting credit contracts of the Company as of 31.12.2011 was 5 500 000,00 thousand rubles.

14.3. The interests, which are due for payment to the loaner (creditor) in the sum of 61 931 thousand rubles, are included in cost of investment assets in 2011.

14.4. As of 31.12.2010 – the sum of 818 567 thousand rubles, as of 31.12.2009 - the sum of 3 771 526 thousand rubles was transferred from long-term borrowing costs (line 1410 Form 1) to short-term borrowing costs (line 1510 Form 1) retrospectively.

15. The information on calculation of profit tax

15.1. At calculation of taxable surplus the Company applies accrual method to accounting of income and expenses. Income and expenses are recognized in that reporting (tax) period in which they took place, irrespective of actual receipts of money funds, other property or property rights. The moment of origin of income and expenses with the accrual method is specified in articles 271, 272, 316, 317 of the Tax code of the Russian Federation. Calculation of tax base following the results of 2011 was made on the basis of the tax accounting data. The taxable surplus for the accounting period is 7 437 522 thousand rubles, the profit tax estimated under the rate of 20% is 1 712 980 thousand rubles.

15.2. The Company includes the differences in the business accounting arising from a discrepancy between accounting earnings and profit, estimated according to requirements of chapter 25 of the Tax code of the Russian Federation.

Obligation and rules of forming of such indicators are established with RAS 18/02 «Accounting of calculations of profit tax».

The transition from accounting earnings to taxable income for 2010 - 2011 is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 2.3.

#	Indicator	2011	2010
1.	Profit (loss) under Form 2 (line 2300)	7 437 522	5 596 070
2.	Permanent difference	4 235 630	1 014 100
2.1.	Material aid, social privileges, etc. to employees, pensioners etc.	770 723	676 476
2.2.	Full appreciation of non-current assets	(5 378)	(100 670)
2.3.	Reserve reconstitution of doubtful debts	3 669 681	1 516 354
	Reserve reconstitution under other contingent liabilities	(38 980)	(114 148)
2.4.	Fixed Assets depreciation	1 077 303	1 096 283
2.5.	Profit of last years	(178 455)	(125 965)
2.6	The expenses of the last tax periods considered in last tax periods on the basis of the specified declaration	672 920	478 979

2.7.	Expenses on charity		10 000
2.8.	Debt receivable write-off	17 371	37 918
2.9.	Deductions to non budget funds of Private Pension Fund, Power Industry Pension Fund	11 516	25 961
2.10.	Cultural and sports events	21 305	22 687
2.11.	Payments to the Board of directors		36 211
2.12.	Nonreimbursable VAT	36 128	39 981
2.13.	Deductions and payments to employees of trade-union committee	45 359	37 614
2.14.	Payments for above-standard emissions of polluting substances	3 401	2 164
2.15.	Penalties, penalty fee, penalties, payments under agreements of lawsuit	(5 851)	139
2.16.	Reserve on doubtful debts	(3 458 141)	(3 157 872)
2.17.	Reserve under other contingent liabilities	1 074 586	148 818
2.19.	Write-down of non-current assets	69 102	
2.18.	Others	453 040	383 170
3.	<i>Deductible temporary difference</i>	63 815	561 175
3.1.	Fixed Assets depreciation (the sum of depreciation for tax accounting is less than the sum of depreciation for the business accounting)	24 890	9 298
3.2.	Reserve on payment of annual compensation and annual holiday	60 077	552 843
3.3.	The loss sum from sale of Fixed Assets, transferred to the future	257	(650)
3.4.	Others	(21 409)	(316)
4.	<i>Taxable temporary difference</i>	3 172 065	1 814 155
4.1.	Fixed Assets depreciation (the sum of depreciation for tax accounting is more than the sum of depreciation for the business accounting)	3 100 679	1 802 273
4.2.	The expenses recognized in the business accounting as deferred expenses (licences, software, etc.)	1507	(1 130)
4.3.	Other taxable temporary difference	69 879	13 012
	Total (sum of line 2 + sum of line 3 – sum of line 4)	1 127 380	(238 880)
	TAX DECLARATION DATA		
5.	Total profit (loss) under line 050 of Sheet 02 of the Tax declaration of the current tax period	8 564 902	5 357 190
5.1.	Current profit tax under Form 2 (line 2410)	1 712 980	1 071 438
6.	Total full appreciated profit under line 050 of Sheet 02 of the Tax declaration of last tax periods	(4 194 930)	(4 473 675)
6.1.	Full appreciated profit tax of last tax periods under Form 2	(838 986)	(894 735)

The sum of the written off deferred tax asset is 43 375 thousand rubles, including:
- 20 117 thousand rubles – from liquidation of fixed assets;

- 23 258 thousand rubles – others.

The sum of the written off deferred tax liability is (701 868) thousand rubles, including:

- (702 801) thousand rubles – tax liability recalculation for last tax periods for fixed assets;

- 726 thousand rubles – from write-off or sale of protective special gear;

- 207 thousand rubles – others.

16. The information on financial investments

16.1. As financial investments the Company recognises the assets, which do not have material form and capable to bring economic gains (income) in the future in the form of interests, dividends or gain their cost (in the form of a difference between the sale price (repayment) and purchased cost) as a result of their exchange, use at repayment of obligations, mark-to-market value increases.

Analytical accounting of financial investments is done with breakdown of short-term and long-term financial investments. The investments produced with intention to receive income in more than one year are considered long-term financial investments. Other financial investments are short-term.

In accounting statements financial investments are represented with division depending on term of circulation (repayment) as short-term and long-term.

Financial investments on which it is possible to specify when due hereunder mark-to-market value, are recognized in the reporting at the end of accounting year on mark-to-market value by adjustment of their estimation on the previous reporting date. The Company produces the specified adjustment quarterly.

The difference between estimation of financial investments on mark-to-market value on the reporting date and the previous estimation of financial investments is displayed by the Company as other income or expenses. Thus, the gain of market value of investments is recognized under the account debit «Financial investments» and the account credit «Other income and expenses», decrease – on debit accounts «Other income and expenses» and credit account «Financial investments».

In case an item of financial investments earlier estimated on mark-to-market value, the reporting date of the mark-to-market value is not determined, such item of financial investments is recognized in the reporting at cost of its last estimation.

Financial investments on which mark-to-market value is not determined, are recognized in the historical cost accounting.

At the asset retirement, recognized to accounting as financial investments on which the mark-to-market value is determined, their cost is determined by the Company proceeding from last estimation.

Securities (stocks and bonds) are estimated at retirement on average original cost, which is determined by each type of securities.

Income on financial investments is recognized by the Company as other income.

16.2. Long-term financial investments are included in the notes to the accounting balance-sheet and in the profit and loss statement in tables 5.4.1(1), 5.4.1 (2), 5.4.2.

IDGC of Centre does not have any encumbered securities and other financial investments.

In the absence of prerequisites for depreciation, the Company does not create contingency reserve provision under financial investments.

17. The information on participation in joint activity

The Company did not participate in any joint activity.

18. The capital

As of December 31, 2011 the authorized capital of the Company is completely paid for and consists:

Name	Total quantity in pieces	Nominal value in Rbl.
Common stocks	42 217 941 468	4 221 794 146,8
Preferred stocks	-	-
Total	42 217 941 468	4 221 794 146,8

The base earnings per share reflect a part of profit of the accounting period, which can be potentially allocated among shareholders – owners of common stocks. It is calculated as the relation of base profit for the accounting year to the average quantity of common stocks in circulation within the accounting year. The base profit is equal to net profit of the accounting year. Earnings per share, diluted earnings per share are included in the notes to the accounting balance-sheet and in the profit and loss statement in table 2.2.

19. Cash flow report

Information about cash flow is reflected in Form 4, which summarizes the data on cash and highly liquid investments that can easily be converted to an in advance known amount of cash and are subject to an insignificant risk of changes in value (hereinafter - the cash equivalents). Deposits in credit institutions are classified as cash equivalents. As of 31.12.2011 the deposit amounted to 1 300 400 thousand rubles.

In Form 4, as collapsed, indirect taxes are reflected from buyers and customers, payments to suppliers and contractors and payments to the budget of the Russian Federation or the reimbursement out of it. Indirect tax is VAT. The collapsed result on VAT is reflected in line 4129 «Other payments».

Data in Form 4 for the reporting period in column 4 (for 2010) is different from similar data in Form 4 for 2010 in the amount of VAT as part of the proceeds from buyers and customers in the amount of 10 146 751 thousand rubles (line 4110, 4210), as part of the payments to suppliers and contractors and payments to the budget of the Russian Federation in the amount of 11 025 658 thousand rubles (line 4120, 4220, 4320).

All settlements on taxes and duties, except for income tax (2010) are reflected in line 4129 «Other payments».

Interests payment on debt, included in the cost of investment assets for 2010, was transferred from line 4221 to line 4224 in the amount of 86 652 thousand rubles.

20. The other information

20.1. The information on the received provisions of the Company's obligations and payments.

The information on the received provisions of obligations of IDGC of Centre is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.8.

20.2. The information on planned development of the company:

Name	31.12.2010	31.12.2011
Current liquidity ratio	1,25	1,24
Acid ratio	1,03	1,08
Equity-assets ratio	0,65	0,59

One of the indicators of the company's financial standing is its solvency and liquidity, i.e. its ability to pay back its obligations.

Current ratio as of 31.12.2010 took a value of 1,25. As of 31.12.2011 the value of this ratio did not change significantly and was 1,24.

Quick ratio reflects the company's ability to pay back its current obligations in the shortest period of time. The normal value of the ratio is more than 0.8. Following the results of 2011 this ratio is 1,08.

Liquidity ratios are within normal values, indicating the ability of the company to pay back its current liabilities from current assets and a stable, from a financial point of view, situation in the Company.

Equity-assets ratio determines the share of the company's assets financed by equity. The higher the ratio is, the more financially stable and independent from external creditors the enterprise is. The generally accepted standard value for this indicator is 0,6. Following the results of financial and economic activity of IDGC of Centre for 2011 the equity-assets ratio is in the range of normative values.

Overall, following the results of 2011 a significant increase in profitability and financial performance of the company is observed, which is associated with the restoration of the economy of the regions where IDGC of Centre operates. The increase marked at the end of the reporting period will occur in subsequent years.

20.3. Policy concerning borrowed funds, managements of risks.

In case of appearance of one or several of the above mentioned risks IDGC of Centre will take all possible measures on minimisation of negative consequences. Possible events for Company actions are developed for neutralisation of a part of risks when this or that risk occurs. However, it is necessary to note that preliminary development of measures adequate to corresponding events is complicated by uncertainty of development of a situation, and parameters of conducted events will depend in a greater degree on features of the created situation in each specific case. IDGC of Centre cannot warrant that the actions directed on overcoming of arisen negative changes, can lead to the situation correction as the described factors are out of the Company's control.

- The risks connected with change of currency exchange rates.

The companies conducting foreign trade activities are subject to the given risk. It is shown in shortfall of the provided income as a result of direct influence of change of an

exchange rate of the foreign exchange used in the external economic transactions, on expectational monetary flows from these transactions.

The company provides services at the domestic market of the Russian Federation with settlements in rubles (currency of the Russian Federation) and in this connection it is not subject to risks of change of currency exchange rates. Thus it is necessary to note that the Company, performing the investment program, can buy goods from foreign suppliers which cost of services depends on rate fluctuation of currencies. In this connection it is possible to tell that the currency risk for the Company is minimum.

- The risks connected with change of interest rates.

Taking into account the situation stabilisation on financial markets, the risk of change of rates is estimated by the Company as average.

The Company with a view of levelling the risk of loan interest rates increase interacts with the credit companies working with budgetary funds (state, regions of the Russian Federation, municipal).

Thus the Company, being a natural monopoly, performs selection of the financial companies for rendering financial services by carrying out tender procedures established by the legislation of the Russian Federation (Federal law #135-FZ from 26.07.2006 «About competition protection», Federal law #94-FZ from 21.07.2005 «About order placement on delivery of products, accomplishment of works, rendering services for the state and municipal needs»). According to part 4.1 of article 9 of the Law on order placement, the price of the state order or municipal contract is firm and cannot change during its execution. Thus, the risk of change of interest rates under acting credit contracts decreases.

The policy of the Company concerning external loans is regulated by the Regulation on credit policy of IDGC of Centre, confirmed by the decision of the Board of directors of the Company (Minutes # 06/08 from March 28, 2008). This Regulation determines the order of estimation of financial stability and credit quality of the Company and is the instrument of calculation of value limit of a debt position of the Company and estimation of possibility of attraction of investment credits and loans within the limits of business planning.

The Company plans to perform all credit obligations according to conditions of contracts.

20.4. The information about accounts receivable and payable

For the date of the statement approval reconciliation statements of accounts with counterparts were not returned in full.

The account receivable structure is included in the notes to the accounting balance-sheet and in the profit and loss statement in table in table 5.6.1.

The accounts payable structure is included in the notes to the accounting balance-sheet and in the profit and loss statement in table 5.6.5

By results of an inventory the doubtful debt receivable in the amount of 1 788 543 thousand rubles, was revealed on which the reserve on doubtful debts was created. The remainder of not used reserve on the doubtful debts, created as of 31.12.2011, in the amount of 1 066 061 thousand rubles was recovered.

20.5. Information disclosure according to Federal law #261 from 23.11.09 «About energy saving and increase of energy efficiency and modification of some legislative acts of the Russian Federation».

In the course of economic activities IDGC of Centre consumes for its economic activities electric power and heat energy. In 2011 it consumed electric power for the sum of 418 754 thousand rubles, heat energy for the sum of 56 667 thousand rubles for its own needs.

20.6. Information disclosure on the environmental activities of the Company

The costs of environmental protection of IDGC of Centre for 2011 were 15 314 thousand rubles. The fee for a negative impact on the environment in 2011 was 7 458 thousand rubles.

In 2011, in order to reduce negative impact on the environment and compliance with SanPiN 2.1.7.1322-03 "Hygienic requirements for the placement and disposal of production and consumption waste" in all branches of IDGC of Centre specialized containers for waste collection were purchased, the arrangement of sites for temporary storage (stockpiling) of waste and improvement of surrounding area was performed. IDGC of Centre – Lipetskenergo performed repair and reconstruction of sites for oil-filled equipment, waste oil, scrap metal and wood poles.

Based on SanPiN 2.2.1/2.1.1.1200-03 "Sanitary protection zones and sanitary classification of enterprises, buildings and other facilities" an instrumental control of emissions at the boundary of the sanitary-protection zones was performed. Based on the studies of air at the boundary of the sanitary-protection zones no excess of allowable concentration levels was detected.

Pursuant to Federal Law # 7-FZ of 10.01.2002 instrumental monitoring of compliance with established standards of maximum permissible emissions was arranged.

To comply with Federal Law # 89-FZ of 24.06.1998 "On the Production and Consumption Waste" and creating an analytical framework based on instrumental measurements and laboratory studies for monitoring of compliance with established MPE, MPD and monitoring in temporary storage (accumulation) waste was organized and performed within:

- air control of working zone in the temporary storage of waste;
- monitoring the state of soil contamination;
- laboratory analysis of microbiological, radiological and chemical parameters of groundwater and effluent.

In 2011 IDGC of Centre - Belgorodenergo purchased software packages for MPE project design documentation and performed development of project documentation by experts of the branch.

A key event in IDGC of Centre - Tambovenergo in 2011 is the disposal of equipment containing PCDs.

General Director

D.O. Gudzhoyan

Chief accountant

M.V. Danilova