Kuzbassenergo

Consolidated annual financial statements

for the year ended 31 December 2008

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Independent Auditors' Report

To the shareholders of the Open Joint Stock Company "Kuzbassenergo"

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Kuzbassenergo" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

30 April 2009

Kuzbassenergo
Consolidated income statement for the year ended 31 December
Millions of Russian Roubles, unless otherwise stated

	Notes	2008	2007
Revenue	4	**21,395**	**20,433**
Cost of sales	5	23,170	19,876
Gross (loss)/profit		**(1,775)**	**557**
Other expense, net	6	652	603
Operating loss		**(2,427)**	**(46)**
Finance income		298	—
Finance costs	7	261	576
Gain from disposal of investments	1, 25	46	4,502
(Loss)/profit before tax		**(2,344)**	**3,880**
Income tax (benefit)/expense			
Current income tax expense		24	940
Deferred income tax (benefit)/expense		(817)	52
Total income tax (benefit)/expense	19	**(793)**	**992**
(Loss)/profit for the year		**(1,551)**	**2,888**
Attributable to:			
Ordinary shareholders of the parent		(1,551)	2,790
Minority interests		—	98
(Loss)/profit for the year		**(1,551)**	**2,888**
Basic and diluted (loss)/earnings per share (in Russian Roubles):	14	(0.02)	0.05

S.N. Mikhailov
General Director

S.S. Prihodchenko
Chief Accountant

30 April 2009

The consolidated income statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 29.

Kuzbassenergo
Consolidated balance sheet as at 31 December
Millions of Russian Roubles

	Notes	2008	2007
ASSETS			
Non-current assets		**29,077**	**27,025**
Property, plant and equipment	8	28,992	26,900
Other non-current assets		85	125
Current assets		**8,424**	**9,364**
Inventories	9	2,396	1,478
Trade accounts and other receivables	10	5,159	2,048
Prepaid and recoverable taxes	11	188	310
Cash and cash equivalents	12	681	5,528
Total assets		**37,501**	**36,389**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves		**29,086**	**30,586**
Share capital	13	3,790	3,789
Additional paid-in capital		14,031	13,947
Retained earnings		11,265	12,816
Attributable to ordinary shareholders of the parent		**29,086**	**30,552**
Minority interests		**—**	**34**
Non-current liabilities		**3,206**	**3,536**
Long-term borrowings	15	502	26
Deferred tax liabilities	19	2,244	3,061
Other long-term liabilities	16	460	449
Current liabilities		**5,209**	**2,267**
Short-term borrowings	15	2,844	20
Trade accounts and other payables	17	1,394	1,789
Taxes payable	18	971	458
Total shareholders' equity and liabilities		**37,501**	**36,389**

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 29.

Kuzbassenergo
Consolidated cash flow statement for the year ended 31 December
Millions of Russian Roubles

	Notes	2008	2007
(Loss)/profit before tax		**(2,344)**	**3,880**
Adjustments to profit before tax:			
Gain from disposal of investments		(46)	(4,502)
Amortisation and depreciation expense	5	1,577	1,612
Loss from disposal of property, plant and equipment	6	295	378
Finance income		(298)	—
Finance costs	7	261	576
Other, net		(193)	(154)
Changes in working capital items:			
(Increase)/decrease in inventories		(845)	105
Increase in trade accounts and other receivables		(2,778)	(1,687)
Decrease in prepaid and recoverable taxes (other than income tax)		18	804
(Decrease)/increase in trade accounts and other payables		(504)	222
Decrease in other long-term liabilities		—	(796)
Increase/(decrease)/ in taxes payable (other than income tax)		489	(359)
Net cash (outflow)/inflow from operations		**(4,368)**	**79**
Interest paid		(160)	(132)
Income tax reimbursed/(paid)		102	(826)
Net cash outflow from operating activities		**(4,426)**	**(879)**
Investing activities			
Purchase of property, plant and equipment		(4,287)	(2,826)
Purchase of long-term investments		—	(4,157)
Interest received		298	34
Loans issued		(23)	—
Proceeds from disposal of long-term investments		160	6,781
Proceeds from disposal of property, plant and equipment		156	23
Net cash outflow from investing activities		**(3,696)**	**(145)**
Financing activities			
Proceeds from additional share issue		—	7,509
Proceeds from long-term borrowings		838	6,938
Repayments of long-term borrowings		(365)	(7,395)
Proceeds from/(repayments of) short-term borrowings, net		2,802	(821)
Dividends paid		—	(12)
Net cash inflow from financing activities		**3,275**	**6,219**
Net (decrease)/increase in cash and cash equivalents		**(4,847)**	**5,195**
Cash and cash equivalents at the beginning of the year	12	5,528	333
Cash and cash equivalents at the end of the year	12	**681**	**5,528**

The consolidated cash flow statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 29.

Millions of Russian Roubles

	Notes	Share capital	Additional paid-in capital	Retained earnings	Attributable to ordinary shareholders of the parent	Minority interests	Total
Balance at 31 December 2006		**3,689**	—	**10,038**	**13,727**	**2,146**	**15,873**
Profit for the year		—	—	2,790	**2,790**	98	**2,888**
Acquisition under common control	26	—	6,732	—	**6,732**	—	**6,732**
Disposal of the disposal group	25	—	—	—	**—**	(2,210)	**(2,210)**
Additional share issue		100	7,215	—	**7,315**	—	**7,315**
Dividends		—	—	(12)	**(12)**	—	**(12)**
Balance at 31 December 2007		**3,789**	**13,947**	**12,816**	**30,552**	**34**	**30,586**
Loss for the year		—	—	(1,551)	**(1,551)**	—	**(1,551)**
Merger of OJSC "Kuzbassenergo Holding" with the Company	13	1	84	—	**85**	—	**85**
Disposal of long-term investments		—	—	—	—	(34)	**(34)**
Balance at 31 December 2008		**3,790**	**14,031**	**11,265**	**29,086**	**—**	**29,086**

The consolidated statement of changes in shareholders' equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 29.

Millions of Russian Roubles, unless otherwise stated

1. GENERAL INFORMATION

Organisation and principal activities. Kuzbass Open Joint Stock Company ("OJSC") for Energy and Electrification (the "Company") was founded on the basis of the decision of the State Property Committee of Kemerovo oblast dated 21 September 1993 and Resolution of the Authorities of Kemerovo dated 30 December 1993 on reorganising the state entity "Production Association for Energy and Electrification Kuzbassenergo".

The Group (also referred to as "Kuzbassenergo") consists of the Company and its subsidiaries which are listed below:

	2008	2007
OJSC "Engineering and analytical centre Kuzbasstekhenergo"	100%	100%
OJSC "Kuzbasskaya energoremontnaya kompania"	100%	100%
CJSC "Avtotransportnoye predpriyatie Kuzbassenergo"	100%	100%
CJSC "MSCH Tsentr zdoroviya Energetika"	100%	100%
CJSC "Kuzbassenergoservice"	100%	100%
OJSC "Prokopievskenergo"	—	60%

In October 2008, Kuzbassenergo sold OJSC "Prokopievskenergo" for 160 million RUR; gain on sale of 46 million RUR was included in the income statement as gain from disposal of investments.

Principal activity of the Group is generation and sales of electricity and heat.

The shares of the Company are listed on the Russian Trading System and Moscow Interbank Currency Exchange.

Kuzbassenergo has its registered office at Building 2, Brilliantovaya Street, Barnaul, Altayskiy Krai, 656037, the Russian Federation.

Change of control. On 1 July 2008, RAO UES has completed the corporate reorganisation and ceased to exist. RAO UES' shareholdings in its subsidiaries, including its share of the Company, were dispersed among shareholders of RAO UES proportionate to their shareholdings in it. As a result OJSC "Siberian Coal Energy Company" ("SUEK") with its 49.7% share became the single significant shareholder of the Company. This fact allows SUEK to exercise de-facto control over the Company and consolidate it starting 1 July 2008. The main ultimate beneficiaries of SUEK are Messrs. Andrey Melnichenko and Sergey Popov.

2. BASIS OF PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for:

- the carrying amounts of property, plant and equipment and share capital which have been adjusted to take into account the effects of hyperinflation that existed in the Russian Federation until the end of 2002;
- financial instruments through profit and loss and investments available for sale which are stated at fair value.

Functional currency. The functional currency of the Company and its subsidiaries is the Russian Rouble («RUR»).

Adoption of new and revised standards and interpretations. A number of new standards and interpretations are not yet effective as of the reporting date and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following are applicable to the Group's financial statements:

- IAS 1 (Revised) – *«Presentation of Financial Statements»* (2007) (effective for accounting periods beginning on or after 1 January 2009) («Revised IAS 1») introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Future adoption of the revised IAS 1 is expected to have an impact on the presentation of consolidated financial statements.

- IAS 23 (Revised) – *«Borrowing Costs»* (effective for accounting periods beginning on or after 1 January 2009) («Revised IAS 23») removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Future adoption of the revised IAS 23 will not have any impact on the consolidated financial statements as borrowing costs are capitalised in accordance with the Group's current accounting policy.

- IFRS 3 (Revised) – *«Business Combinations»* (2008) (effective for accounting periods beginning on or after 1 January 2010) («Revised IFRS 3») introduces a number of changes:
  - the definition of a business has been broadened;
  - contingent consideration will be measured at fair value;
  - transaction costs, other than share and debt issue costs, will be expensed as incurred;
  - any pre-existing interest in the acquiree will be measured at fair value; and
  - any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Future adoption of the revised IFRS 3 is expected to have an impact on the Group's accounting policy.

- IAS 27 (Amended) – *«Consolidated and Separate Financial Statements»* (2008) (effective for accounting periods beginning on or after 1 January 2010) («Amended IAS 27») requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. Future adoption of the amended IAS 27 is expected to have an impact on the Group's accounting policy.

Seasonality of business. Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and the purchase of power.

Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact the revenue or cost recognition policies of the Group.

Segment reporting. The Group operates predominantly in a single geographical area – South East Siberia – and in a single business segment – power generation.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of consolidation

Subsidiaries. Subsidiaries are entities controlled by the Group. The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased.

Control is presumed to exist when the Company:

- owns, directly or indirectly through subsidiaries, more than 50% of the voting equity of an enterprise; or
- owns, directly or indirectly through subsidiaries, less than 50% of the voting equity of an enterprise, but has the ability to:
  - govern the financial and operating policies of the enterprise under a statute or an agreement;
  - appoint or remove the majority of the members of the board of directors, or the equivalent governing body, and the control over the entity is by that board or body;
  - or cast the majority of votes at meetings of the board of directors or equivalent governing body, and the control over the entity is by that board or body.

The acquisition of subsidiaries from third parties is accounted for using the purchase method of accounting. The identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values as at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets, liabilities and contingent liabilities recognised.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Acquisitions of subsidiaries from entities under common control are accounted for on a carryover basis, which results in the historical book value of assets and liabilities of the acquired entity being combined with that of the Group. The consolidated financial statements of the Group are retrospectively restated to reflect the effect of the acquisition as if it had occurred at the beginning of the earliest period presented providing common control existed at the time. For acquisitions funded through the issuance of shares, share capital is restated to reflect the combined entity based on the share exchange ratio at the date of the acquisition. Any difference between the purchase price and the net assets acquired is reflected in additional paid-in capital.

3.2. Property, plant and equipment

Basis of carrying value of property, plant and equipment.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of items acquired before 1 January 2003 was restated for the impact of inflation until 31 December 2002. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure, including repairs and maintenance expenditure, is recognised in the income statement as an expense as incurred.

Depreciation. Property, plant and equipment is depreciated using the straight-line method based on estimated useful lives. For each item the estimated useful life has due regard to its own physical life limitations. Estimates of remaining useful lives are made on a regular basis for all property, plant and equipment, with annual reassessments for major items.

The estimated useful lives are as follows:

- buildings, structures and utilities 15 – 44 years
- machinery, equipment and transport 4 – 15 years

Leased assets. Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of future minimum lease payments at the date of acquisition, with the related financial lease liability recognised at the same value. Capitalised leased assets are depreciated over their estimated useful lives or the term of the lease, if shorter.

Finance lease payments are allocated using the effective interest rate method, between:

- the lease finance cost, which is included in finance costs; and
- the capital repayment, which reduces the related lease obligation to the lessor.

3.3. Capital construction-in-progress

Capital construction-in-progress comprises costs directly related to construction of buildings, infrastructure, processing plant, machinery and equipment. Amortisation or depreciation of these assets commences when the assets are put in the location and condition necessary for them to be capable of operating in the manner intended by management. Capital construction-in-progress is reviewed regularly to determine whether its carrying value is recoverable.

3.4. Impairment

The Group reviews the carrying amounts of its assets regularly to determine whether there are indicators of impairment. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognised immediately in the income statement.

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

3.5. Inventories

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

3.6. Financial instruments

A financial asset or a financial liability is recognised when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability or its portion are derecognised when the Group loses its contractual rights or extinguishes the obligation associated with such asset or liability. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is recognised in the income statement. On derecognition of a financial liability the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is recognised in the income statement.

Investments. Investments, other than investments in subsidiaries and associates, are initially recognised at settlement date when the Group obtains control over the contractual rights inherent in that asset. Investments and measured at fair value of the consideration given including transaction costs.

Investments are classified in one of the following categories:

- financial assets at fair value through profit or loss;
- available-for-sale financial assets;
- loans; and
- held-to-maturity investments.

Financial assets at fair value through profit or loss are financial assets that are either held-for-trading or designated by an entity at fair value through profit or loss. A financial asset other than a financial asset held-for-trading may be designated at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with

the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant profit or loss recognised in the income statement.

Available-for-sale financial assets are any non-derivative financial assets designated as available-for-sale or are not classified in any of the other three categories. Available-for-sale assets are measured at fair value on the balance sheet, and fair value changes are recognised directly in equity through the statement of changes in shareholders' equity. The cumulative profit or loss recognised in equity transferred to in the income statement when an available-for-sale financial asset is derecognised.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and other than those, which the entity intends to sell immediately or in the near term that should be classified as held-for-trading, and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale.

Loans and receivables are initially measured at fair value, which is the amount paid and the gross invoice value, respectively. Subsequently loans and receivables are measured at amortised cost, less any allowance for doubtful debts. Changes in the allowance are recognised in the income statement.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Held-to-maturity investments are measured at amortised cost.

Trade and other receivables. Trade and other receivables are measured at gross invoice value less allowance for doubtful debts where considered appropriate. Changes in the allowance are recognised in the income statement.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Borrowings. Loans and borrowings are initially measured at the proceeds received, net of direct transaction costs. Subsequently loans and borrowing are measured at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables. Trade and other payables are stated at cost.

Impairment of financial assets. A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3.7. Provisions

Provisions are recognised when the Group has legal or constructive obligations, as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.8. Employee benefit obligations

Remuneration to employees in respect of services rendered during a reporting period is recognised in the income statement as an expense in that reporting period.

Defined contribution plan. The Group contributes to the Pension fund of the Russian Federation, a defined contribution pension plan. The only obligation of the Group is to make the specified contributions in the period in which they arise and these contributions are expensed as incurred.

Defined benefit plans. In accordance with current legislation and internal documentation the Group operates defined benefit plans whereby employees are entitles for regular pension benefits upon retirement. The amount of benefits depends on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. Actuarial gains and losses are recognised immediately in the income statement.

The defined benefit obligation is calculated annually by the Group. The Projected Unit Credit Method is used to determine the present value of defined benefit obligations and the related current service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

3.9. Taxation

Income tax expense comprises current and deferred taxation.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustment to tax payable in respect of previous years.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used in the computation of taxable income.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable income against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred taxation is calculated at rates that are expected to apply to the period when the asset is realised or the liability is settled. It is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case deferred taxation is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10. Revenue recognition

Revenue is based on the application of authorised tariffs for electricity and heat sales as approved by the Regional Energy Commission, excluding value-added tax, and is recognised on the delivery of electricity and heat, and on the dispatch of non-utility goods and services.

Advances received from customers are recognised as revenue when all revenue recognition criteria have been met.

3.11. Operating lease payments

Lease of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement in the period in which they are due in accordance with lease terms.

3.12. Dividends declared

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and become legally payable.

Retained earnings legally distributable by the Group are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual Group entities. These amounts may differ significantly from the amounts recognized in the Group's consolidated IFRS financial statements.

3.13. Environmental obligation

Environmental provision is recognised when the Group has a present legal or constructive obligation as a result of past events that existed at the balance sheet date to restore site damage after the commencement of power generation to bring the land into a condition suitable for its further use.

Estimated future costs are provided for at the present value of estimated future expenditures expected to be incurred to settle the obligation, using estimated cash flows, based on current prices.

The increase in the provision through unwinding of the obligation due to the passage of time, is recognised as a finance cost in the income statement.

Changes in the obligation, reassessed regularly, related to new circumstances or changes in law or technology, or in the estimated amount of the obligation, or in the pre-tax discount rates, are recognised as an increase of the cost of the relevant asset.

3.14. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Millions of Russian Roubles, unless otherwise stated

	2008	2007

4. REVENUE

	2008	2007
Electricity	8,675	8,182
Heat	7,213	6,369
Capacity	4,912	4,843
Other	595	1,039
Total	**21,395**	**20,433**

5. COST OF SALES

	2008	2007
Fuel	11,654	9,770
Labour	2,541	2,783
Purchased energy	1,659	1,137
Amortisation and depreciation	1,577	1,612
Repairs and maintenance	1,558	1,055
Water usage tax	1,010	336
Consumables and spares	678	826
Land rent	493	446
Transmission of heat	330	374
Property tax	322	322
Subscription fees	287	238
Consulting, legal, audit and other professional services	257	281
Other taxes	120	246
Other	684	450
Total	**23,170**	**19,876**

6. OTHER EXPENSE, NET

	2008	2007
Loss from disposal of property, plant and equipment	295	378
Charitable donations	61	52
Other	296	173
Total	**652**	**603**

7. FINANCE COSTS

	2008	2007
Interest expense on borrowings	129	63
Unwinding of discount on restructured trade account payable	—	461
Other	132	52
Total	**261**	**576**

Millions of Russian Roubles, unless otherwise stated

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings, structures and utilities	Machinery, equipment, transport and other	Construc-tion-in-progress	Total
Cost				
Balance at 31 December 2006	**15,540**	**23,469**	**636**	**39,645**
Additions	—	—	3,006	**3,006**
Transfers	1,466	777	(2,243)	**—**
Disposals	(489)	(232)	(152)	**(873)**
Acquisition under common control	9,741	2,151	—	**11,892**
Balance at 31 December 2007	**26,258**	**26,165**	**1,247**	**53,670**
Additions	38	21	4,391	**4,450**
Transfers	1,740	979	(2,719)	—
Disposals	(197)	(260)	(544)	**(1,001)**
Balance at 31 December 2008	**27,839**	**26,905**	**2,375**	**57,119**
Accumulated amortisation and depreciation				
Balance at 31 December 2006	**(9,999)**	**(15,574)**	—	**(25,573)**
Amortisation and depreciation	(834)	(780)	—	**(1,614)**
Disposals	278	139	—	**417**
Balance at 31 December 2007	**(10,555)**	**(16,215)**	—	**(26,770)**
Amortisation and depreciation	(846)	(731)	—	**(1,577)**
Disposals	99	121	—	**220**
Balance at 31 December 2008	**(11,302)**	**(16,825)**	—	**(28,127)**
Net book value at 31 December 2007	**15,703**	**9,950**	**1,247**	**26,900**
Net book value at 31 December 2008	**16,537**	**10,080**	**2,375**	**28,992**

The Group changed its presentation of groups of property, plant and equipment compared to the prior year. The comparative information has been represented in these financial statements to conform to the current year presentation.

9. INVENTORIES

	2008	2007
Coal stock	1,587	952
Consumable stores and materials	871	647
Less: Allowance for obsolescence	62	121
Net consumable stores and materials	809	526
Total	**2,396**	**1,478**

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10. TRADE ACCOUNTS AND OTHER RECEIVABLES

	2008	2007
Advances issued	2,031	1,281
Notes receivable	1,700	—
Trade accounts receivable	1,587	767
Other receivables	41	210
Subtotal	**5,359**	**2,258**
Less: Allowance for doubtful debts	200	210
Total	**5,159**	**2,048**

11. PREPAID AND RECOVERABLE TAXES

	2008	2007
Value added tax recoverable	124	132
Income tax receivable	57	164
Prepaid taxes	7	14
Total	**188**	**310**

12. CASH AND CASH EQUIVALENTS

		2008	2007
Current accounts	- RUR	675	107
Other cash and cash equivalents	- RUR	6	5,421
Total		**681**	**5,528**

13. SHARE CAPITAL AND RESERVES

	Number of shares			
	2008	**2007**	**2008**	**2007**
Authorised share capital				
Ordinary shares	70,720,096,513	70,616,380,000	3,790	3,789
Issued share capital				
Ordinary shares	70,675,984,774	70,616,380,000	3,790	3,789

Ordinary shares have a par value of 0.01 RUR. All issued shares were fully paid.

The carrying amount of share capital has been adjusted to take into account the effects of hyperinflation that existed in Russian Federation until the end of 2002.

Split of ordinary shares. In April 2008, each ordinary share with a par value of 1 RUR was converted into 100 ordinary shares with a par value of 0.01 RUR. As a result, the Company's share capital comprised of 70,616,380,000 ordinary shares with a par value of 0.01 RUR. These changes have been retrospectively reflected for all periods presented.

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Merger of OJSC "Kuzbassenergo Holding" with the Company. On 1 July 2008, as part of the corporate reorganisation of RAO "UES of Russia" ("RAO UES"), OJSC "Kuzbassenergo Holding" merged with the Company. This transaction under common control resulted in an increase of the Group's share capital and additional paid-in capital by 1 million RUR and 84 million RUR, respectively; share capital increased through an additional issue of 59,604,774 ordinary shares of the Company with a par value of 0.01 RUR.

14. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the year. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	2008	**2007**
Weighted average number of ordinary shares in issue	70,643,482,387	61,957,157,000
(Loss)/profit for the year attributable to ordinary shareholders of the parent	(1,551)	2,790
Basic and diluted (loss)/earnings per share (in Russian Roubles)	(0.02)	0.05

15. BORROWINGS

	Nominal interest rate	**Year of maturity**	**2008**	**2007**
Long-term borrowings				
Transkreditbank – 500 million RUR credit agreement	12.99%	2012	500	—
Other			29	46
Subtotal			**529**	**46**
Less: Current portion of long-term borrowings			(27)	(20)
Total long-term borrowings			**502**	**26**
Short-term borrowings	9.1% to 20%		2,817	—
Current portion of long-term borrowings			27	20
Total short-term borrowings			**2,844**	**20**

All borrowings of the Group are denominated in RUR.

16. OTHER LONG-TERM LIABILITIES

	2008	**2007**
Provision for defined benefit obligation	330	352
Provision for environmental obligation	130	97
Total	**460**	**449**

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	2008	2007
Provision for defined benefit obligation		
Opening balance	**352**	**475**
Service cost	1	10
Interest cost	29	34
Actuarial gain	(21)	(68)
Benefits paid	(31)	(20)
Disposal of the disposal group	—	(83)
Recognised past service cost due to consolidation of Altayenergo's assets	—	4
Closing balance	**330**	**352**

Actuarial assumptions used for the calculation of defined benefit obligation were as follows:

	2008	2007
Discount rate	11%	9%
Inflation rate	7%	6%
Future salary increases	8%	13%

The estimated amount of the payments in relation to the defined benefit obligation during 2009 is 35 million RUR.

17. TRADE ACCOUNTS AND OTHER PAYABLES

Trade accounts payable and accruals	945	956
Wages and salaries	214	295
Accrual for vacation payments	106	70
Advances from customers	48	199
Payable to regional program of energy saving	—	115
Other creditors	81	154
Total	**1,394**	**1,789**

18. TAXES PAYABLE

Water usage tax	602	84
Tax fines and penalties	159	90
Property tax	82	86
Unified social tax	42	64
Value added tax	27	51
Income tax	18	—
Other	41	83
Total	**971**	**458**

Millions of Russian Roubles, unless otherwise stated

19. TAXATION

A reconciliation of theoretical income tax, calculated at the rate effective in the Russian Federation, to the amount of actual income tax expense recorded in the income statement is as follows:

	2008	2007
(Loss)/profit before tax	**(2,344)**	**3,880**
Theoretical income tax (benefit)/expense at 24%	(563)	931
Impact of change in tax rate from 24% to 20% starting 1 January 2009	(449)	—
Corrections of profit tax related to prior periods recognised during the year	—	25
Tax effect of non-deductible expenses	219	36
Total income tax (benefit)/expense	**(793)**	**992**

The tax effects of temporary differences that give rise to deferred taxation are presented below:

	Opening balance	Recognised in the income statement	Acquisition under common control	Closing balance
2007				
Deferred tax assets	**264**	**16**	**8**	**288**
Inventory	35	(9)	—	26
Trade accounts and other receivables	89	(20)	—	69
Other long-term liabilities	93	5	8	106
Trade accounts and other payables	47	40	—	87
Deferred tax liabilities	**(1,098)**	**(68)**	**(2,183)**	**(3,349)**
Property, plant and equipment	(991)	(175)	(2,183)	(3,349)
Other	(107)	107	—	—
Net deferred tax liabilities	**(834)**	**(52)**	**(2,175)**	**(3,061)**
2008				
Deferred tax assets	**288**	**191**	—	**479**
Inventory	26	(26)	—	—
Trade accounts and other receivables	69	(13)	—	56
Other long-term liabilities	106	(14)	—	92
Trade accounts and other payables	87	(11)	—	76
Tax losses carried forward	—	255	—	255
Deferred tax liabilities	**(3,349)**	**626**	—	**(2,723)**
Property, plant and equipment	(3,349)	633	—	(2,716)
Other	—	(7)	—	(7)
Net deferred tax liabilities	**(3,061)**	**817**	—	**(2,244)**

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20. RELATED PARTIES TRANSACTIONS

Related parties are considered to include the ultimate beneficiaries, affiliates and entities under common ownership and control within the Group. The Company and its subsidiaries, in the ordinary course of their business, enter into various sales, purchases and service transactions with related parties. Transactions with related parties are not always performed under conditions that would be available for parties not related to the Group.

After the corporate reorganisation of RAO UES on 1 July 2008 and commencement of SUEK's control over the Group starting on that date (see note 1) state-controlled entities ceased to be regarded as Group's related parties. Simultaneously, the associates and other related parties of SUEK became the Group's related parties.

Transactions with related parties are as follows:

	2008			2007		
	SUEK	**RAO UES, other state-controlled companies and other related parties**	**Total**	**SUEK**	**RAO UES and other state-controlled companies**	**Total**
Revenue	192	2,537	2,729	22	9,615	9,637
Purchases of coal	5,134	—	5,134	3,328	—	3,328
Purchases of energy	—	—	—	—	292	292
Other purchases	—	105	105	—	141	141

The remuneration of directors and other key management personnel was as follows:

	2008	**2007**
Salaries and other short-term employee benefits	191	171

The outstanding balances with related parties are as follows:

	2008			2007		
	SUEK	**Other related parties**	**Total**	**SUEK**	**RAO UES and other state-controlled companies**	**Total**
Trade accounts and other receivables	3,321	96	3,417	774	227	1,001
Trade accounts and other payables	—	16	16	108	252	360

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21. COMMITMENTS

Capital commitments. Management has approved the following capital expenditure budget:

	2008	2007
Contracted	—	916
Not yet contracted	35,200	2,986
Total	**35,200**	**3,902**

Operating leases. The land in the Russian Federation on which the Group's production facilities are located is owned by the State. The Group leases land through operating lease agreements with the State. Related payments commitment per these lease agreements of 541 million RUR are payable within one year (31 December 2007 – 527 million RUR).

22. CONTINGENCIES

Insurance. The insurance industry in the Russian Federation is in the process of development, and many forms of insurance protection common in developed markets are not yet generally available. The Group does not have full coverage for its power generating facilities for business interruption or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Management understands that until the Group obtains adequate insurance coverage there is a risk that the loss or destruction of certain operating assets could have a material adverse effect on the Group's operations and financial position.

Litigation. The Group has a number of small claims and litigation relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle such liabilities.

Management believes that it has provided adequately for all tax liabilities based on its interpretation of the tax legislation. However, the relevant authorities may have differing interpretations, and the effect could be significant.

Environmental matters. The Group is subject to extensive federal, state and local environmental controls and regulations in the regions in which it operates. The Group's operations involve disturbance of land, discharge of materials and contaminants into the environment, potential impact to flora and fauna, and other environmental concerns.

The Group's management believes that it is in compliance with all current existing health, safety and environmental laws and regulations in the regions in which it operates. However, environmental regulations are currently under consideration in the Russian Federation. The Group is continually evaluating its obligations relating to new and changing legislation. The Group is unable to predict the timing or extent to which environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise technology and incur future additional material costs to meet more stringent standards.

Russian Federation risk. Over the past decade the Russian Federation has undergone substantial political, economic and social changes. As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems, which would generally exist in a more mature market economy.

Furthermore, substantially all privatisations in the Russian Federation in the early 1990's were flawed in some manner, with the result that even minor administrative flaws in the privatisation documents may be invoked as a basis for challenging the validity of the privatisation process as a whole and thus the title to assets acquired as a result of privatisation.

The stability and success of the Group's business, will depend upon the Russian Federation Government's ability to institute supervisory, judicial and other regulatory reforms.

23. FINANCIAL RISK MANAGEMENT

In the normal course of its operations, the Group is exposed to market, credit and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not hedge its exposure to such risks.

23.1. Market risk

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

Market risk to which the Group is exposed is the interest rate risk.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

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The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2008	2007
Fixed rate instruments		
Notes receivable	1,700	—
Cash deposits	—	5,421
Long-term borrowings	(502)	(26)
Short-term borrowings	(2,844)	(20)
	(1,646)	**5,375**

The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

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

23.2. Credit risk

Credit risk is the risk that a counterparty may default or not meet its obligations to the Group on a timely basis, leading to a financial loss to the Group. The Group minimises its exposure to this risk by ensuring that credit risk is spread across a number of counterparties. Credit is only extended after rigid credit approval procedures.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The table below analyses the Group's trade and other receivables into relevant groupings based on the period of them being considered past due.

	2008		2007	
	Gross	Allowance for doubtful debts	Gross	Allowance for doubtful debts
Not past due	1,352	—	767	—
Past due for less than 3 months	90	3	77	77
Past due for 3 to 12 months	95	88	—	—
Past due for more than one year	91	91	133	133
Total (see note 10)	**1,628**	**182**	**977**	**210**

The movement in the allowance for doubtful debts for impairment in respect of trade and other receivables during the year was as follows:

	2008	2007
Opening balance	**210**	**330**
Additional doubtful debts	148	87
Bad debt written-off (impairment loss recognised)	(108)	(149)
Bad debt recovered	(68)	(58)
Closing balance	**182**	**210**

Millions of Russian Roubles, unless otherwise stated

23.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

Subsequent to the balance sheet date the global and Russian capital markets continued to experience significant volatility, including lack of available source of financing, increase in interest rates and devaluation of Russian Rouble against USD and Euro. Should this trend continue, it may have a negative impact on the ability of the Group to renew its debts and may significantly increase the cost of financing.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The Group expects that cash generated from operations will be the major source of the Group's liquidity in 2009. In order to strengthen the liquidity position of the Company, the following steps have been taken:

- various cost saving programs have been introduced;
- capital expenditures budget has been reviewed and, where it was possible, reduced;
- working capital management has been strengthened.

In addition, management believes that the Company will be able to attract additional sources of financing, should the proceeds from the operating activities be below than budgeted.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the contractual undiscounted cash flows to maturity.

	Carrying amount	Contractual cash flows	Due in the first year	Due in the second year	Due thereafter
Balance at 31 December 2008					
Long-term borrowings	502	505	—	5	500
Short-term borrowings	2,844	2,846	2,846	—	—
Trade account payables and accruals	945	945	945	—	—
Other creditors	81	81	18	26	37
Total	**4,372**	**4,377**	**3,809**	**31**	**537**
Balance at 31 December 2007					
Long-term borrowings	26	26	—	21	5
Short-term borrowings	20	20	20	—	—
Trade account payables and accruals	956	956	956	—	—
Payable for regional program of energy saving	115	115	115	—	—
Other creditors	154	154	148	—	6
Total	**1,271**	**1,271**	**1,239**	**21**	**11**

23.4. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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The Group defines capital as shareholders' equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders or issue new shares. The Group's overall strategy for 2009 remained unchanged from prior years.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined with reference to various market information and other valuation methods as considered appropriate. At 31 December 2008 and at 31 December 2007, the fair values, where determinable, of financial instruments held by the Group did not materially differ from the carrying values.

25. DISPOSAL GROUP HELD FOR SALE

On 23 December 2005 the Board of Directors of RAO UES passed a resolution on the termination of participation in OAO Zapadno-Sibirskaya TETS and OAO Yuzhno-Kuzbasskaya GRES («ZS TETS and UK GRES» or the «disposal group»). The Company sold ZS TETS and UK GRES on 30 March 2007 and 12 April 2007, respectively.

	2007
Profit attributable to the disposal group was as follows:	
Revenue	1,129
Expenses	(848)
Results from operating activities	**281**
Income tax charge	(70)
Profit for the period	**211**
Gain on sale of disposal group	4,502
Tax on gain on sale of disposal group	(1,059)
Profit for the period	**3,654**
The result of sale of the disposal group was as follows:	
Net assets of the disposal group	4,420
Minority interests	(2,210)
The Group's share in net assets of the disposal group	**2,210**
Profit from sale of disposal group before income tax	4,502
Other expenses related to sale of the disposal group	171
Proceeds from sale of the disposal group	**6,883**
Cash disposed of	(102)
Net proceeds from sale of the disposal group	**6,781**

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26. ACQUISITION UNDER COMMON CONTROL

On 1 January 2007 the Group acquired from OJSC “Altayenergo” («Altayenergo»), a subsidiary of RAO UES, substantially all of its facilities engaged in power generating and 100% shares of OJSC “Barnaulteploset'remont” for the total amount of 4,157 million RUR. The transaction represents acquisition of business under common control.

The acquired net assets as at 1 January 2007 were as follows:

	IFRS fair value	Statutory carrying value
Property, plant and equipment	11,892	2,975
Inventories	555	555
Trade accounts and other receivables	64	64
Value added tax recoverable	632	632
Trade accounts and other payables	(50)	(50)
Provision for retirement benefit obligation	(33)	—
Deferred tax liabilities	(2,175)	—
Other	4	4
Net assets acquired from Altayenergo	**10,889**	**4,180**

Since Altayenergo has not previously issued standalone IFRS financial statements the Group has chosen to use the provision in IFRS 1 – «First-time adoption of International Financial Reporting Standards» to determine the IFRS values of the net assets acquired from Altayenergo on 1 January 2007.

The excess of fair value of purchased net assets over the consideration paid in the amount of 6,732 million RUR was reflected in consolidated statement of changes in equity as an acquisition under common control.

27. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 16 – provision for site restoration; and
- note 22 – contingencies.