

FINANCIAL (ACCOUNTING) STATEMENTS OF ROSSETI KUBAN



The accounting (financial) statement of Rosseti Kuban for 2020 was prepared under the legislation of the Russian Federation. We received the Auditor's report that the accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, as well as its financial performance and consolidated cash flows for 2020 according to the Russian Federation rules for accounting (financial) statements".

Chief Accountant –
Head of the Department
of Financial Records, Accounts,
and Tax Returns
Inna Skiba

The accounting (financial) statements of Rosseti Kuban were drawn up in accordance with the standards and procedures concerning accounting and reporting (hereinafter – RAS) in place in the Russian Federation:

- Federal Law No.402-FZ dated December 6, 2011 On Accounting;
- Order of the Finance Ministry of Russia No 66n dated July 2, 2010 On Accounting Forms of Organizations;
- Order of the Finance Ministry of Russia No.124n dated October 5, 2011 On Amendments Being Made to the Accounting Forms of Organizations as Approved by Order of the Ministry of Finance of the Russian Federation No. 66n dated July 2, 2010;
- Order of the Finance Ministry of Russia No.34n dated July 29, 1998 On the Ratification of Regulation for Accounting and Reporting in the Russian Federation;
- The chart of accounts for financial and business operations accounting approved by Order of the Finance Ministry of Russia No.94n dated October 31, 2000;
- Accounting Regulations "Accounting Policy of the Organization" (PBU 1/2008) approved by Order of the Ministry of Finance of Russia No.106n dated October 6, 2008.

The annual RAS accounting (financial) statements of Rosseti Kuban for 2020 include (see Annex 4):

- Balance Sheet;
- Profit and Loss Statement;
- Statement of Equity Change;
- Statement of Cash Flows;
- Representations;
- Auditor's Report.

Basic framework of the Accounting Policy of Rosseti Kuban

The Company maintains accounting of fixed assets in compliance with Accounting Regulations "Accounting for Fixed Assets" (PBU 6/01) approved by Order of the Ministry of Finance of Russia No.26n dated March 30, 2001. Asset depreciation was charged using the linear method depending on the useful life. The depreciation was not charged for the fully depreciated (worn-out) assets.

The advance payments linked with the future acquisition of a capital asset, as well as raw materials and other materials to be used in the production of fixed assets are shown in line 1150 Fixed Assets.

Immovable properties that are actually in use, do not require any further capital investments and have the source documents ready, are included for accounting purposes as fixed assets and put in a separate sub-account for the Properties without Registered Ownership Rights. Depreciation for such objects is charged under the standard procedure since the first day of the month following the month of commissioning.

The accounting of revenue and other earnings is maintained by the Company in compliance with Accounting Regulations (PBU 9/99) "Income of the Organization" approved by Order of the Ministry of Finance of Russia No.32n dated May 6, 1999.

Details of the Auditor

By order of the Company, Rosseti invited an open single stage tender at the B2B-energo electronic trading platform to sign a contract to conduct the obligatory annual audit of the Company's statements for 2018–2020. Ernst&Young LLC was selected (Tender Committee meeting Minutes No.13/595r dated April 16, 2018). Ernst&Young LLC is a member of the Sodruzhestvo Association, a self-regulatory organization of auditors (SAA SRO). Ernst&Young LLC is listed in the reference copy of the register of auditors and audit organizations under the main registration entry number 12006020327.

The Auditor was approved by the resolution of the Annual General Meeting of Shareholders of Rosseti Kuban (Minutes No.43 dated May 29, 2020).

Full name of organization: Ernst&Young Limited Liability Company.

Abbreviated name of organization: Ernst&Young LLC.

Location and postal address: 115035 Russia, Moscow, 77 Sadovnicheskaya Naberezhnaya, bldg 1.

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Email: rfp@ru.ey.com

The Company prepared estimated liabilities due to the possible compensation payments for unutilized vacations, unsettled claims from power suppliers to compensate losses and energy transmission services, interim measures and other payments to employees in accordance with AR 8/2010 Provisions, Contingent Liabilities and Contingent Assets approved by Order of the Ministry of Finance of Russia No.167n dated December 13, 2010.

The Company reserves doubtful accounts receivable that are outstanding or highly unlikely to be repaid on time and are not secured by relevant guarantees.

The Company holds a reserve to mitigate the impairment of financial investments in case of their significant depreciation.

Corrections for the previous periods

Due to the introduction of a new version of AR 18/02 Corporate Profit Tax Accounting, the Company made adjustments to the Balance Sheet as of December 31, 2019 and December 31, 2018 and to the Profit and Loss Statement for 2019.

The Company drafted consolidated financial statements in compliance with the requirements of Federal Law No.208-FZ On Consolidated Financial Statements dated July 27, 2010 (Annex 5).

The auditor's remuneration for the audit of the annual financial statements for 2020 is approved by the resolution of the Board of Directors of Rosseti Kuban (Minutes No.395 dated July 23, 2020) and equals to RUB 5,374,163.95 kop. incl. VAT. No deferred or overdue payments for the auditor's services are present.

During 2020, Ernst&Young LLC did not provide any related measures for Rosseti Kuban.